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FINACIAL SECTOR DEVELOPMENT PROJECT

FINAL EVALUATION

OF THE

MICROENTERPRISE DEVELOPMENT PROJECT

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FINAL EVALUATION  
OF THE  
MICROENTERPRISE DEVELOPMENT PROJECT

EXECUTIVE SUMMARY

I. Project Description

The Microenterprise Development Project (MDP) was signed in August 1990 for a planned four year life-of-project with a funding level of US\$2 million. The project was extended to September 1997 and the level of funding increased to US\$5 million. The project goal is to increase employment opportunities, income and quality of life for entrepreneurial poor. The purpose of the project is to encourage more productive, self sustainable microenterprises. Project objectives are to develop more effective credit services for microentrepreneurs; improve training, technical assistance and other services for microentrepreneurs; and increase information for policy management.

There are four main project components: (i) Credit Component, including operational support, technical assistance and training to participating lending institutions; loan portfolio capitalization; (ii) Anti-Poverty Lending (APPLE); (iii) Non-Credit Assistance, including funding for training and technical assistance to microentrepreneurs and development of tools for training; (iv) Policy Information and Research, including funding for National Survey on Small and Microenterprises, Quarterly Panel Surveys and other studies. The project promotes "minimalist" lending strategies which involve quick disbursing loan mechanisms; a close, long-term and repeat relationship with borrowers; low overheads; and quick turnover portfolios carrying at least market rates of interest.

The findings of the final evaluation which was conducted by a team of three external evaluators between March 4 and April 25 are summarized below.

II. Project Performance

II.A. Institutional Strengthening

Two NGOs, Enterprise Development Trust (EDT) and ASSIST, Ltd., one credit union, City of Kingston Cooperative Credit Union (COK) and one commercial institution, Workers Bank, have received project support. Institutional strengthening with EDT, ASSIST and COK was generally unsuccessful. As a result, the size, quality and impact of loan portfolios were well below expectations. Several contributing factors were identified. Transportation problems and violence in targeted communities reduced contact with borrowers. Expectations for loan portfolio development and matching funds were overly optimistic. Technical assistance, training and project management inputs were not coordinated with the credit delivery aspects of implementation. Decision makers within the participating lending institutions had not fully adopted the minimalist lending approach of the project.

The Workers Bank Program is benefitting from lessons learned during early project implementation. There has been increased emphasis on technical assistance and an effective in-house training program has been implemented. The pace and quality of the lending program at Workers Bank is on target.

## II.B. Project Implementation

Technical assistance has been provided through a complex set of implementing arrangements. The complexity of these arrangements has weakened USAID's ability to manage technical assistance. In the first three years of the project, technical assistance was not given the necessary emphasis. Although gains were made in promoting adoption of minimalist lending strategies, more targeted and sustained efforts with decision makers in Government and in the participating institutions were required. Consistent and targeted technical assistance to Workers Bank has yielded positive results.

Reliance on centrally funded projects contributed to implementation delays and a lack of continuity in the provision of technical assistance. In many cases, it weakened the Mission's ability to manage technical assistance.

The Project Manager functions as USAID Project Officer. This has not been optimal. Existing arrangements have worked because of the continuity of leadership provided by the first PM, his personal commitment to the project and his own management style. The PM left the project in March 1997. A new PM is likely to have difficulty assuming both roles.

## II.C. Training

Training for Institutional Strengthening: Project sponsored training includes international conferences, study tours and sponsorship of a Training Program for Micro and Small Enterprise Financing Institutions. The study tours were especially effective in promoting adoption of the minimalist lending approach. The Micro and Small Enterprise Financing Institutions Training Program reached 269 staff and board members from lending and donor institutions. Evaluations were positive and resulted in improvements in operations.

Individual training events were effective, however, training did not have the anticipated impact. Training did not match the developmental needs of participating institutions and did not sufficiently target decision makers in Government and in participating institutions. The impact of training was reduced because decision makers were not fully supportive of minimalist lending strategies.

An effective in-house training program has been implemented at Workers Bank. Training has been targeted to the specific needs of the organization. The quality of the Workers Bank loan portfolio is an indication of the positive impact of the training.

Entrepreneurial Training: Entrepreneurial training was provided at EDT and ASSIST with support from MDP. Introductory training was provided to over 5,000 microentrepreneurs. It is not possible to draw conclusions about the impact of training from available information.

Three promising pilot initiatives have been funded under the Non-Credit Component. Training videos in Dressmaking/ Tailoring, Day Care, Small Scale Restaurants and Furniture Manufacturing were produced in association with the University of Technology Entrepreneurial Extension Center. The videos are useful training tools and an interesting training model that can be duplicated in other countries. MDP provided technical assistance to the East Westmoreland Craft Producers Association, a group of rural craft producers. A relatively small investment from USAID contributed to improvements in production, marketing and sales and small but measurable impacts on income. Funding has been provided to National Development Foundation of Jamaica (NDF/J) for computer equipment for a computer center which will open in May 1997. The NDF/J Computer Center is projected to reach over 400 entrepreneurs annually.

## II.D. Information and Research

Support for this component was committed as part of a joint donor effort. USAID provided funding for National Surveys of Microentrepreneurs in 1992 and 1996, funding of quarterly panel surveys and other studies. With only US\$70,000, MDP successfully leveraged over US\$500,000 from the Government of Jamaica, Government of the Netherlands and the European Union to implement surveys and studies. USAID efforts increased the availability of reliable information on the microenterprise sector and improved national planning capacity for the sector. Project efforts also led to fruitful collaboration between donors and resulted in elimination of the interest rate ceiling for credit unions.

## II.E. Women and Development

Gender issues have been effectively incorporated in the design, appraisal, implementation and evaluation phases. MDP's outreach to women has been successful: 56% of loans have been to female owned enterprises and 54% of entrepreneurs trained were female. The main area of weakness throughout design and implementation has been the lack of information on gender-disaggregated constraints and opportunities in the microenterprise sector.

## II.F. Project Impact

Participating lending institutions have generated little data to assess project impact. EDT and ASSIST loan portfolios were smaller than projected and substantially non-performing. Early indications are that the pilot Workers Bank program is having a positive impact on its target population.

MDP has been partially successful in increasing economic opportunities for the poor, especially women in both urban and rural areas. However, APPLE funds have not been disbursed.

## III. Recommendations

- 1) Extend the MDP through the Year 2000.
- 2) Extend Current Cooperative Agreement with Workers Bank through September 1997.
- 3) Negotiate a New Cooperative Agreement with Workers Bank through the Year 2000.
- 4) Condition a new Cooperative Agreement with Workers Bank on an explicit commitment from Workers Bank to a specific strategy for Postal Unit expansion and portfolio growth.
- 5) Conduct a comprehensive analysis of the health of Workers Bank and support institutional strengthening as necessary.
- 6) Coordinate disbursements to Workers Bank with implementation of an institutional strengthening Strategy, if required.
- 7) Determine if MDP support should include additional cooperating credit institution(s) and develop strategies accordingly.
- 8) Provide for substantial increases in MDP management and technical assistance resources, particularly for Workers Bank.
- 9) Maximize coordination of centrally funded project activities.

- 10) Separate Project Manager and Project Officer responsibilities.
- 11) Limit training for institutional strengthening to (i) in-house training in cooperating lending institutions(s) and (ii) study tours and international conferences for decision makers in Government and in lending institutions.
- 12) Continue entrepreneurial training through development of selected training tools and through funding of pilot initiatives that are demand driven and geographically decentralized.
- 13) Provide support for a third round of the National Survey on Micro and Small Enterprises and for selected studies. Provide support for dissemination of funds.
- 14) Ensure that portfolio management systems and impact monitoring accommodate gender disaggregated data collection.

#### IV. Concept for Project Extension (Annex 12)

Based on the findings of this evaluation, extension of the MDP is warranted. The recommended MDP continuation would include three main components:

Training and Microenterprise Support Services: This component would expand on successful MDP initiatives, including development of training tools and funding of pilot initiatives that are demand driven and geographically decentralized. Support for a public awareness campaign to increase awareness of best practices among microentrepreneurs and the benefits to be derived from implementing these best practices and to increase awareness of and facilitate access to project funded training and microenterprise support services would be provided under this component.

Information and Research: This component would include support for a third round of the National Survey on Microentrepreneurs, for selected studies and for dissemination of the results of USAID funded surveys and studies.

Credit Programming: The project would continue Credit Programming through the Workers Bank Postal Division, focusing on operational support rather than loan portfolio funding. Particular emphasis would be placed on expanded management support for the development phases of the Workers Bank program. Possible incorporation of APPLE funding should be considered. Assistance would include assessment of the financial circumstances of Workers Bank and, if indicated, development and implementation of a remedial strategy. Efforts would also continue to identify other possibilities for credit delivery. Loan fund capitalization may be required if another participating agency is brought into the project.

The project extension would be managed through a USAID Project Officer and Project Assistant and by an institutional contractor. The Project Management Unit would consist of a Chief of Party, Workers Bank Management Team (team leader plus three or more assistants), a Training and Microenterprise Services Manager and support staff.

**FINAL EVALUATION**  
**OF THE**  
**MICROENTERPRISE DEVELOPMENT PROJECT**

**I. Overview of the Final Evaluation**

**I.A. Purpose of the Evaluation**

USAID/Jamaica commissioned this final evaluation of the Microenterprise Development Project (MDP) in order to determine the future direction of USAID microenterprise activities in Jamaica. The purpose of the evaluation is to (i) assess and analyze credit, training and technical assistance provided by the project; (ii) assess progress to date; (iii) evaluate project effectiveness in reaching male and female microentrepreneurs; (iv) analyze the impact of credit and non-credit assistance on the economic status of borrowers; (v) measure the contribution of project activities to the Mission's strategic objective of increased participation for economic growth; (vi) and make recommendations for follow-up actions and activities to be included in the extension of project. (Terms of Reference are presented in Annex 1)

**I.B. Composition of the Evaluation Team**

The evaluation team was comprised of three persons: a microenterprise credit specialist (contracted by CARANA Corporation); a policy analyst/gender specialist (contracted by Barents Group) and a training/evaluation specialist (contracted by Barents Group). The training/evaluation specialist served as team leader.

**I.C. Evaluation Methodology**

The evaluation was undertaken between March 4 and April 25. The findings and recommendations are based on: i) a review of documents, status reports, and literature (Annex 2); and ii) interviews with counterparts and staff of cooperating agencies, MDP Project Management Unit (MDP), Ministry of Industry and Commerce, University of Technology, HEART, JAMPRO, STATIN, other agencies and institutions providing services to microentrepreneurs, other international donor and lending organizations, institutional contractors to the project, entrepreneurs and participants in project sponsored training. (Annex 3)

**II. The Microenterprise Development Project**

**II.A. Project Goals and Objectives**

The goal of the project is to increase employment opportunities for the entrepreneurial poor in Jamaica thereby increasing their income and improving their quality of life. The purpose of the project is to accelerate the development of microenterprises into more productive, sustainable businesses. The project was designed to: (i) increase the capacity of Jamaican microenterprise lending agencies to provide microenterprise credit on a self-sustaining basis; (ii) pilot test methods of delivering sustainable non-credit assistance to microenterprises; and (iii) establish an updated baseline of microenterprise information and support policy reforms through analysis and dialogue. The project promotes "minimalist" lending strategies which involve quick disbursing loan mechanisms; a close, long-term and repeat relationship with borrowers; low overheads; and quick turnover portfolios carrying at least market rates of interest.

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## II.B. Project Design

The Microenterprise Development Project (MDP) was authorized in August 1990 for a planned four year life-of-project with a funding level of US\$2 million. Following a mid-term evaluation, the project was extended to September 1997 and the level of funding increased to US\$5 million.

(Table 1)

Table 1

### The MDP Budget (US\$000)

	Original Budget	Amended Budget 1993	Amended Budget 1996
Credit Program Development	1,315	2,917	2,901
Anti-Poverty Lending		600	600
Non-Credit Assistance	100	198	234
Policy Information/Research	185	335	335
Project Implementation	225	500	700
Audits/monitoring/contingency	175	450	230
<b>TOTAL</b>	<b>2,000</b>	<b>5,000</b>	<b>5,000</b>

Project activities are divided into the following components:<sup>1</sup>

- I. Credit Component: The objective of this component is to establish and strengthen sustainable lending programs.
- II. Anti-Poverty Lending: The objective of this component is to test the feasibility and results of "mini-micro" lending as a tool for poverty alleviation.
- III. Non-Credit Assistance: The objective of this component is to establish a matching grant fund to provide technical or other kinds of assistance to organizations providing non-credit assistance to microenterprises. Assistance has been provided to produce training videos, fund a computer learning laboratory and provide technical assistance to rural craft producers.
- IV. Policy, Information and Research: The objective of this component is to improve the knowledge base on microenterprises and foster policy reforms. The project has provided support for two National Surveys of Small and Microenterprises, quarterly panel surveys and related research.

The logical framework for the project is presented in Annex 4.

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<sup>1</sup> Project activities were originally divided into three main components. The project supplement added a new element, anti-poverty lending, funded from the PRE Bureau's Anti-Poverty Lending Matching Fund (APPLE).

### III. Country Context<sup>2</sup>

#### III.A. Economic Context

Jamaica is the largest English-speaking Caribbean country. Its population of 2.5 million (1995) is growing at 1.1% per year and is fairly evenly divided between urban and rural areas. In 1995, per capita GNP was US\$1,643. Jamaica's principal economic activities are tourism, manufacturing, bauxite/alumina mining and processing and agriculture. Together, these sectors account for over half of the country's GDP and employment. The economy is fully dependent on imported oil for commercial energy consumption and is highly sensitive to international price and demand changes.

Beginning in the second half of the 1980s, as part of a structural adjustment agreement with the IMF, the Government of Jamaica (GOJ) initiated a series of market-oriented policy reforms to improve economic competitiveness. These reforms included macroeconomic stabilization, privatization and rationalization of the public sector. Substantial trade liberalization, deregulation and privatization has occurred. The foreign exchange regime has been liberalized.

Economic performance has been mixed. Since 1991, growth has averaged less than 1% per annum. Inflation averaged about 40% per year in the first half of the 1990s, declined to 25% in 1995 and slowed to approximately 16% in 1996. Sectoral performance varied with minimal growth in agriculture, tourism and construction overshadowed by continued poor performance in manufacturing and mining. The external current account deficit widened to 5% of GDP in 1995 and was projected to further widen to 6% of GDP by end-March 1996. Private transfers and capital inflows more than tripled between 1992 and 1995. External debt was over 80% of GDP (US\$3.4 billion) in 1995, however, debt rescheduling and timely repayments have reduced the debt service burden. Relaxation of tight monetary policies resulted in a decline in interest rates in 1995 and a rapid growth in domestic credit, increased expenditure on imports and a build-up of demand pressure on the foreign exchange market. The value of the local currency depreciated by over 16%. The Bank of Jamaica injected US\$95 million into the system during 1995 to stabilize the J\$ with a resulting revaluation of 15%.

The main macroeconomic challenges facing the government are to consolidate fiscal balances which could be eroded by additional wage increases to Government employees, the cost of failed financial firms, interest payments on domestic debt and losses in some public entities, and to maintain an exchange rate capable of stimulating exports and attracting sufficient inflows of foreign exchange. At the same time, the government will have to accelerate structural reforms in order to improve prospects for sustainable growth, employment creation and low inflation.

#### III.B. Political Context

Jamaica became an independent nation in 1962. Since then, it has maintained a Westminster style parliamentary democracy. Since the 1940s, the political life of the country has been dominated by two major parties, the Jamaica Labor Party (JLP) and the Peoples National Party (PNP). Both parties have roots in two powerful rival trade unions. The two parties have alternated in power since the JLP formed the first Government under adult suffrage in 1945. Party affiliation

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<sup>2</sup> Information for this chapter is derived from PIOJ, Economic and Social Survey, 1996; World Bank, Country Economic Memorandum, 1996; USAID/Jamaica, Strategy Plan: 1997-2001; Bank of Jamaica, Quarterly Statistics, February 1997; Anderson/STATIN, Findings of the 1992 National Survey on Small and Micro Enterprises and McFarlane/STATIN, Preliminary Findings of the 1996 National Survey on Small and Micro Enterprises.

is strong and has resulted in "garrison" politics which has led to violence and unrest, especially during election periods. Instances of fraud and other irregularities occur during elections. An electronic registration system, designed to reduce voter fraud, is currently being pilot tested. A national election is constitutionally due in 1998.

### III.C. Social Context

Approximately one-third of all Jamaicans live below the poverty line. The distribution of income is a persistent problem. About 60% of the poor live in rural areas and approximately 20% in Kingston and St. Andrew parishes. Rural poverty is characterized by an under-productive small farm sector, low levels of education and an underdeveloped physical and social infrastructure. The rural poor drift to urban areas in search of better economic opportunities. This has resulted in overcrowding in low-income urban housing settlements and growth of squatter communities. Sixty percent of the poor are children and youth, 13% are over 60 years and 51% are women. Eighty percent of the adult poor are either employed in low paying jobs or underemployed. Urban poverty and unemployment contribute to the country's crime and violence problems.

Although crime did not increase significantly during the 1982-1994 period, year to year fluctuations are high and crime and violence continue to be major concerns. Jamaica has the highest percentage of violent crime in the Caribbean. Murder rates are very high, especially in Kingston and St. Andrew. The perpetrators and victims of crime are overwhelmingly male and the largest number are between 20 and 24 years of age. In 1994, approximately 40% of murders were related to domestic violence. The crime rate is also affected by the number of deportees who are returned from the USA and elsewhere for possession of drugs and/or illegal firearms. After their return to Jamaica, they continue their illegal activities, including the drug trade, importation and use of firearms and money laundering.

### III.D. Overview of the Microenterprise Sector

In 1992, the microenterprise sector (firms up to 10 employees), includes 88,850 enterprises and provides employment for approximately 150,000 people.<sup>3</sup> Almost 44% of microenterprises are located in rural areas. According to World Bank estimates, average annual employment and income growth during the past fifteen years was over 5% and 2%, respectively, as compared to 2.2% and 1.6% in the formal sector.

The sector is dominated by own-account workers (or sole proprietors) engaged primarily in retail trade, construction and personal services. Women operate at the smaller end of the sector and are concentrated in retail trade, personal and social services, food preparation and garment manufacturing. Men operate larger enterprises and are concentrated mainly in construction, furniture, manufacturing and wholesale trade.

The main constraints faced by microentrepreneurs are low market demand, high cost of raw materials and supplies, access to credit and high utility costs. The sector does not have adequate technology, training or business management. The lack of credit is identified as the major constraint at business start-up.

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<sup>3</sup> At the time of this evaluation, results of the 1996 National Survey were too preliminary to report. However, preliminary estimates indicate an increase in the number of enterprises and in employment.

#### IV. Strengthening Credit Institutions

The following is an analysis of USAID/Jamaica experiences with implementation of its Microenterprise Development Project (MDP) between May 1991 and February 1997. The analysis is presented in two sections. The first section reviews MDP implementation experiences with the Enterprise Development Trust, ASSIST, City of Kingston Credit Union and Workers Bank. The first three programs have been terminated; the fourth is in the early stages of implementation. The second section examines "lessons learned" from these experiences.

##### IV.A An Overview of Experiences with MDP Cooperating Institutions

###### IV.A.1. Enterprise Development Trust Ltd. (EDT)

Background: EDT was established in December 1990, based on a Mennonite Economic Development Associates (MEDA) supported pilot effort for micro enterprise lending. The program focused on a Kingston area target population and operated on the premise that project objectives would be best served by locally recruited, "streetwise" lending officers and other staff. In April 1991, immediately prior to signing the Cooperative Agreement with USAID, EDT was operating with assets of J\$1.1 million, including a loan portfolio of J\$815,000 which had been transferred as a loan from MEDA, who also provided an additional US\$57,000 for technical assistance, training and other institutional support.

The EDT Program: The May 6, 1991 USAID Cooperative Agreement with EDT was intended to increase the organization's capacity to provide business and financial services to micro enterprise clients and micro enterprise promotion organizations. The increased services were to include business counseling, training, marketing and production assistance, loan servicing, screening and other services. The Agreement anticipated that USAID would provide a total of US\$866,000, including \$572,000 for capitalization of the EDT loan fund, \$170,000 for reimbursement of operating costs, \$80,000 for staff training, technical assistance and systems development and \$40,000 for commodities and contingencies.

The performance targets against which EDT was to be evaluated included: substantial increases in operating efficiency; reduction of operating costs; the provision of J\$ 1.25 million in matching funds; a reduction in arrears; maintenance of 5% maximum level of bad debt; and, the development of a loan portfolio consisting primarily of loans of less than J\$ 20,000. (Table 2)

Table 2

EDT Midterm Performance Evaluation

	TARGET May 1991	ACHIEVEMENT March 1993
Operating Revenue / Operating Costs	120%	41%
Operating Costs per J\$ Loaned	0.17	0.33
Matching Funds	J\$ 1.25 million	J\$ 888,320
Loans Made	800 - 1,000	557
Arrears	12%	13.5%
Bad Debt as % of Dues	5% or less	NA
Loans under J\$ 20,000 as % of all loans	90%	65%
Loans under J\$ 20,000 as % of total amount loaned	50%	62.4%

Interim Program Status: An audit of the EDT program conducted by Coopers & Lybrand Associates for the period May 1 through June 30, 1992 detected serious weaknesses in program accounting and other management procedures. A course of remedial action was recommended. USAID files document conscientious efforts by mission staff to pressure EDT management to implement the auditors' recommendations and take additional corrective actions.

The 1993 midterm evaluation of MDP found that EDT had been unable to meet most of its performance objectives. The institution was also found to be suffering from organizational and structural deficiencies, staff morale problems, inappropriate staffing, and serious inadequacies in the areas of accounting and information management. Observations regarding the EDT credit delivery system were particularly significant. The evaluators concluded that the EDT "traditional approach" to lending was "not the most agile or adequate one for delivering loans to micro enterprises with no track record and little or no business records". The midterm evaluation also indicates that the remedial actions recommended by project auditors and USAID staff had not been implemented by EDT management. Acknowledging that EDT's performance was handicapped by difficult circumstances, including steadily increasing crime and violence in target communities and adverse economic conditions, the midterm evaluators recommended that project managers undertake an aggressive program of remedial action. The evaluators and USAID staff concluded that achievement of EDT viability was contingent on the ability of the organization to make several major changes, including:

- \* upgrading expertise of management staff and lending officers, and general improvement of the "professional morale" within the organization;
- \* development of adequate accounting procedures and management information systems, including an integrated software package;
- \* re-engineering of the organization's credit delivery mechanism, including the introduction of short-term working capital lending, to lower the level of arrears to acceptable levels; and,
- \* significant increases in performing loan portfolio size and portfolio management efficiency.

The USAID Project Amendment, signed August 24, 1993, acknowledged that the objectives contained in the original Project Paper were "unrealistically ambitious" and that EDT had benefited from MDP involvement. The amendment extended overall project funding for an additional three years. The project extension anticipated that EDT would be given the opportunity to "put its house in order"; but USAID was expected to consider applications for participation from other lending agencies.

Program Status at Termination: After submission to USAID of a draft plan for remedial action by EDT management, it was determined that the organization had not developed the capacity required for successful program implementation. The Cooperative Agreement expired on September 30, 1993 and was not renewed. A total of US\$597,432 was disbursed by USAID into the EDT program. Table 3 displays USAID expenditures by category against the Cooperative Agreement budget.

Table 3  
EDT Program Expenditures  
(US\$)

	Cooperative Agreement Budget	Expenditures through 9/30/97
Revolving Loan fund	572,000	447,964
Admin./Operating Expenses	170,000	88,703
Office Equip. / Transportation	33,000	30,220
Technical Assistance / Training	80,000	30,545
Contingency	11,000	0
TOTAL	866,000	597,432

Current Status of EDT Microenterprise Lending: EDT was visited during the week of March 3, 1997 by USAID staff and a member of the evaluation team. The organization's micro enterprise lending program was found to be essentially inactive and in severe financial difficulty. The two remaining staff members include a manager that was hired subsequent to the termination of USAID involvement and has no direct memory of the USAID supported program. The organization's books had not been closed since July 1996, and conversations with the manager and the only remaining active board member revealed that serious irregularities appear to have occurred with EDT's financial management over a period of several months or years. The few records that were available for review indicated that the organization has approximately J\$12 million in assets which includes a severely delinquent loan portfolio of approximately J\$2.8 million. The manager indicated that they hope to recover as much as 15% of the outstanding loans. USAID is currently attempting to collect approximately J\$120,000 that was determined to have been inappropriately spent prior to termination of USAID support of the program. As of 3/31/97, EDT had not responded to collection efforts.

### Conclusions

It appears that the USAID decision to terminate the Cooperative Agreement with EDT was an appropriate course of action. Although the midterm evaluation found that the organization was able to benefit from MDP involvement, the doubts that were expressed by the evaluators and mission staff regarding EDT's potential for self sustainability appear, in retrospect, to have been well founded. While it is not possible to determine with certainty if the health of the EDT organization could have improved with continued USAID support, the extreme difficulties in which EDT currently finds itself suggest that the decision to seek alternative host agencies appears to have been in the best interest of overall project objectives.

The EDT program failed to meet the objectives established in the Cooperative Agreement:

The program did not substantially increase EDT's capacity to service the credit, training or technical assistance needs of micro-enterprise clients. While not officially defunct, EDT is unlikely to reemerge as a viable agent of service delivery in the foreseeable future.

Although between 500 and 600 loans were made by EDT, it is not possible to determine the extent to which the loans resulted in significant improvements in the quality of the borrowers' businesses or their lives. The current status of the portfolio suggests that most outstanding loans are uncollectible.

#### IV.A.2. ASSIST LTD.

Background: ASSIST was founded in December 1985 to generate employment among the poor and marginalized through the development of micro and small businesses. By the time of the signing of the Cooperative Agreement on July 2, 1992, ASSIST had expanded its operations to include services to all rural parishes through seven regional offices and two suboffices. Prior to its Cooperative Agreement with AID, ASSIST received technical assistance and funding for its loan portfolio and operational expenses from the Chicago based organization, Opportunity International. In 1992, ASSIST had disbursed 354 loans totaling J\$8.8 million. The average loan was just over J\$20,000 and the portfolio extended to virtually all productive sectors. The organization was particularly proud of its activity in the rural areas where credit for micro enterprise was otherwise nonexistent.

The ASSIST Program: The USAID Cooperative Agreement with ASSIST was signed on July 2, 1992. The Cooperative Agreement was originally scheduled to end in 1994 but was extended to 1997. USAID grant funding totaling US\$751,625 was primarily intended to support the organization's rural credit operations. US\$625,000 was designated as support for the ASSIST revolving Loan fund, US\$111,625 for reimbursement of operating expenses, US\$10,000 for staff training and US\$5,000 to cover the costs of program audits. It was anticipated that Opportunity International would continue to provide technical support.

The agreement anticipated that ASSIST should achieve self sustainability by the end of the period of USAID support. Specific targets against which program performance was to be evaluated by the end of the grant period included: achievement of 100% self sufficiency; a reduction in operating costs by more than 50%; at least J\$ 5.5 million in matching funds; 1,000 new loans; arrears of less than 15%; less than 5% bad debt; and, a loan portfolio consisting primarily of loans not exceeding J\$ 60,000.

The implementation of specific interest rate policies was identified as a particularly important program objective. The Cooperative Agreement anticipated that ASSIST would provide financing at the lowest possible cost, charging interest rates reflecting the true cost of delivering the credit services.

Midterm ASSIST Program Status: The 1993 midterm evaluation of MDP indicated that, while ASSIST had significantly increased its lending activities and while the organizational structure was basically "sound", several logistical and strategic problems had resulted in a loan portfolio that did not fully satisfy program objectives. Table 4 compares achievements as of April 1993 to Cooperative Agreement performance targets.

Table 4  
ASSIST Performance through April 1993

	Target	Achievement as of 4/93
Self sufficiency	100%	54%
Operating Costs per J\$ loaned	0.15	0.47
Matching funds	J\$ 5.5 million	J\$ 4.7 million
Loans originated in Year One	1000	378
Arrears as % of dues	Under 15%	25.2%
Bad debt as % of dues	5% or less	NA
Loans under J\$ 60,000 as % of all loans	90%	98%
Loans under J\$ 60,000 as % of all J\$ loaned	50%	approx. 98.8%

Although ASSIST portfolio indicators had improved (self sufficiency increased from 37% to 54% and cost per average loan portfolio significantly reduced), the "improvements" were principally a function of increased loan portfolio volume. In fact, operational losses had increased. The evaluators expressed optimism however, that the increased installed capacity of the organization would permit the continued portfolio growth and improved management that would be necessary to achieve satisfactory levels of operational efficiency. Intensive training was recommended "especially to increase the level of expertise among lending officers". The evaluators also observed that ASSIST was in the process of introducing modified methodologies, such as "cluster" lending and a loan officer incentive program, that were expected to improve efficiency.

Satisfactory progress had been made toward achieving matching funding targets. Nearly 90% of projected additional borrowing and nearly 67% of projected additional donor funding had been secured.

Arrears were found to be high, although it was acknowledged that much of the problem was associated with pre-program lending. Loan size objectives were exceeded.

Evaluators also observed that the program had concentrated its lending activity in rural areas. Nearly 63% of all loans (over 70% of all J\$ loaned) were made to borrowers outside of Kingston. It was also noted that 43.7% of all loans were made to females, and that the average loan size to female borrowers was approximately one-half that of loans to males.

The Project Amendment anticipated that ASSIST would participate in a recommended three year extension of the MDP. The amendment proposed to address the problems that ASSIST had experienced with increased technical assistance, additional training and a well equipped project management team. The USAID Cooperative Agreement with ASSIST was extended in August 1994 to provide continued funding until March 31, 1997. Performance targets (Table 4) established in the extended agreement included: full self sufficiency; operating costs of J\$ 0.20 per J\$1 loaned; J\$ 3 million in matching donor funds and J\$ 40 million in borrowed funds; 6,000 new loans; maintenance of arrears at specified levels; and, bad debts at less than 5%.

ASSIST Program Progress Under the Extended Cooperative Agreement: Review of ASSIST status at the September 1994 fiscal closing indicated that efforts to introduce corrective action had not been successful. Loan disbursements and portfolio volume had decreased, administrative expenses had increased by more than 50% over the previous year, and, although interest income had grown, the organization's net worth had seriously eroded.

A December 31, 1994 analysis revealed that ASSIST had an outstanding portfolio of 1,080 loans totaling J\$ 17.4 million, of which only 28% (of the J\$ amount) was current and nearly 55% was more than 90 days past due.

A 1995 evaluation by the MDP Financial Institutions Specialist, determined that ASSIST had been unable to meet its objectives. The evaluation found that "out of the nearly 1000 loans outstanding and considered to be active by the organization, around 600 might be performing". Forty percent of payments due were late and 66% of the portfolio was determined to be "at risk" with 61% of active loans being more than 90 days in arrears. Unaudited financial data documented a 1994 operational loss of more than J\$ 5 million and additional losses in excess of J\$ 1.7 million in the first quarter of 1995. ASSIST was suffering from serious liquidity problems.

By September 1995, loan disbursements had nearly ceased and the loan portfolio had shrunk by an additional 60%. Seriously diminished interest income, increasing portfolio delinquency and dramatically increased administrative expenses had resulted in severe decapitalization. ASSIST's generally unhealthy



status triggered withholding of resources by donors and creditors, further exacerbating the organization's liquidity.

ASSIST management was advised on September 11, 1995 of suspension of USAID support. The Cooperative Agreement was allowed to expire on March 31, 1997. ASSIST performance up to September 1995 against targets established in the amended Cooperative Agreement are displayed in Table 5. USAID ASSIST related expenditures are displayed in Table 6.

Table 5  
ASSIST Program Performance during 1993, 1994 and 1995

	TARGET	12/93	12/94	9/95
Self sufficiency	100%	44%	62%	31%
Cost per J\$ loaned	0.20	0.40	1.06	3.05
Loan Fund Capitalization	J\$6M matching J\$40M borrowed	NA	NA	NA
Total Loans Originated	6000 by 3/31/97	1327 (949 new)	1943 (616 new)	2096 (153 new)
Arrears	Below: 22% by 6/30/94 18% by 9/30/94 15% by 12/31/94 12% by 3/31/95 10% by 6/30/95	NA	35.17%	35.6%
Bad debt	5% or less	NA	NA	NA

Table 6  
ASSIST Program Expenditures  
(US\$)

	Cooperative Agreement Budget	Expenditures through 3/31/97
Revolving Loan fund	680,000	536,116
Admin. / Operating Expenses	193,625	167,539
Training	51,500	7,571
Office Equip. / Technical Assist.	22,000	0
Audit	23,000	19,643
Apple Funds	200,000	0
Contingency	21,000	0
TOTAL	1,191,125	730,869

Current Status of ASSIST Credit Programming: A visit with ASSIST management during the week of March 3, 1997 revealed that the organization continues to suffer from severe financial problems. Although they have greatly reduced their emphasis on lending (only nine loans were disbursed in 1996), much of the 1992-93 lending surge was financed with relatively expensive borrowed funds. ASSIST currently owes Eagle Financial Network in excess of J\$9 million, of which the bank has indicated willingness to write off as much as 60%. The remaining 40% however, is beyond the organization's current reach. After having written off

more than J\$11 million in bad debts, ASSIST expects to recover a maximum of J\$1.2 million from its current loan portfolio. Additional assets total less than J\$6 million and consist mostly of equipment and other non cash items.

In retrospect, ASSIST management is convinced that they became too ambitious with their lending program, extending themselves beyond manageable limits. Their portfolio was expanded too quickly, they attempted to cover an excessively wide geographic area, and loan amounts were too large. ASSIST managers acknowledge that MDP financed technical assistance and training assisted them with credit management. The assistance however, is considered to have been "too little and too late" to keep them in control of their rapidly growing portfolio management responsibilities.

### Conclusions

The 1993 Project Paper Amendment supporting the MDP extension acknowledged that the successful project implementation would require greater emphasis on technical assistance and training, and expanded project management efforts. USAID extended every opportunity for ASSIST to develop its credit program. In retrospect, it appears that the ASSIST credit portfolio was largely irretrievable by 1994. The intervention that was prescribed in the Project Paper would likely have resulted in the development of a considerably healthier lending program had it been introduced in 1993.

The ASSIST program did not fully satisfy the objectives established in the Cooperative Agreement:

Well over 1,000 loans were made. The portfolio was well distributed in the rural areas of the country and approximately one-half of the borrowers were female entrepreneurs. It is likely that much of the ASSIST lending contributed to the well being of the borrowers, their families and employees. The overall objective of establishing ASSIST as a viable lending agent for its targeted communities however, was not achieved. The lending capabilities of the organization had been deteriorating steadily for over three years and are currently virtually non existent.

Objectives associated with portfolio quality were not achieved.

Organizational self sufficiency was not achieved.

Strengthening ASSIST as an organization committed to serving the needs of its community was an implied program objective. Although the ASSIST loan program was unsuccessful, the organization continues to express solid commitment to microenterprise development. Continued emphasis is planned for provision of training and technical assistance to microentrepreneurs. A project is being developed through which small businesses can access affordable business services. Continued loan programming is also being contemplated. Future programming would use a more conservative approach and is expected to benefit from past experiences, particularly USAID facilitated exposure to 'minimalist lending methodologies.

#### IV.A.3. City of Kingston Co-operative Credit Union (COK)

Background: COK has been operating since October 1967. At the signing of the cooperative agreement, it was Jamaica's largest credit union. COK more than doubled its share capital between 1992 and 1993 to more than J\$200 million. Operating from a single branch office in Kingston, COK membership totaled 63,000 on December 31, 1993, and it had a loan portfolio of J\$173 million. The organization's purpose is to promote thrift, provide loans to its members and receive and invest member savings deposits and payments of share capital. COK lending was oriented toward assisting its members to acquire and furnish their

homes, purchase vehicles, create and expand their businesses and educate their children.

The COK Program: Under the February 27, 1995 - July 31, 1997 Cooperative Agreement with USAID, COK planned to expand its credit services to small businesses and microentrepreneurs. USAID support was intended to provide specific staff budget support and training and to assist with the development of a loan program through which small and micro entrepreneurs would have access to initial loans under US\$300 and larger loans as their businesses grew and credit worthiness was demonstrated.

The Cooperative Agreement anticipated the development of a loan portfolio during the course of the program of J\$22.5 million, of which USAID would provide US\$100,000 (J\$6.6 million at the time of the signing) in APPLE funds for loans up to US\$300 and US\$100,000 in credit funds for loans exceeding US\$300. COK was expected to provide the balance of approximately J\$9.3 million. The agreement also provided for US\$56,194 for operating expenses and audits, and US\$7,900 for COK staff training.

Of particular importance in the Cooperative Agreement was a requirement that interest rates be set so as to cover the true operating costs of lending; i.e., operational costs, costs of funds, inflation and the cost of providing for loan losses. The agreement anticipated that strict adherence to this interest rate policy, along with development of satisfactory portfolio volume, was a prerequisite to program viability.

The performance targets against which the COK program was to be evaluated included: 100% self sufficiency; operating costs of less than 15% of average portfolio; at least J\$15 million in matching funds; 500 new loans in Year One and 1,000 in Year Two; maximum delinquency rates of 10% over 30 days and 5% over 90 days; and, loan defaults of no more than 5%.

Interim Program Status: USAID's concern over lack of satisfactory progress in planning for implementation of the lending portion of the program is first documented in early 1996. A USAID contracted review of COK plans for program implementation revealed that the program, as envisioned in the Cooperative Agreement, was not emerging. Operational and training support had been effectively utilized, but no MDP financed small or micro enterprise lending had occurred. The review further fueled Mission staff reservations regarding COK's intentions to implement the loan program.

On May 1, 1996, USAID provided COK with a copy of the results of the review and allowed 30 days for COK to provide a specific strategy for program implementation.

Program Status at Termination; On May 20, 1996, after reviewing the USAID requirements, COK management advised USAID that their "resources would not allow them to proceed with the program at this time". Following additional review of the program and further discussion with COK management, it was decided that the Cooperative Agreement would be "terminated for convenience" per provisions contained in the agreement. The termination was effective January 1, 1997.

No USAID funds were disbursed for lending. Operational support and training related expenditures of USAID funds totaled US\$18,202 (Table 7).

Table 7  
COK Program Expenditures  
(US\$)

	Cooperative Agreement Budget	Expenditures through 12/31/96
Revolving Loan fund	100,000	0
Operating Expenses	40,194	13,392
Training	7,900	4,810
Audit	16,000	0
Apple Funds	100,000	0
TOTAL	264,094	18,202

COK - MDP Reflections: In a recent meeting with a USAID staff representative and a contracted evaluator, COK managers indicated that the credit program contemplated in the Cooperative Agreement was not clearly understood at the time of the signing. According to the COK General Manager, after receiving the results of the USAID contracted program review in March 1996, they realized that the proposed lending model was "incompatible" with the COK culture. The manager also indicated that COK membership is unwilling to pay interest rates that would cover the higher costs of managing a loan portfolio such as that proposed by MDP. She further indicated that there is minimal demand from their membership for the small loan amounts anticipated in the Cooperative Agreement. The traditional nature of COK collateral policies (between 100% and 200%) was cited as an additional point of incompatibility with the MDP approach.

The training and operational support provided by MDP is considered by COK to have been "very helpful". Managers report that the training has prepared their loan officers to better assess credit worthiness and manage their portfolios. Much of what was learned in MDP training has resulted in improvements in the COK business department and has enabled them to improve their "quick" loan window through which members may borrow on their credit union shares with minimal process and delay. Managers also indicated that the audit that was contracted by USAID provided them with important insight into their operations.

The current financial health of COK was characterized by management as "good", and 1996 was described as a "profitable year". The General Manager reports that the organization's loan portfolio is "basically healthy"; but she acknowledges that "their delinquency problems are requiring very careful management."

#### Conclusions

*It is clear that faithful implementation of the program as envisioned in the Cooperative Agreement would have required substantial departure from COK's lending methodologies as they are currently characterized by the organization's management. The Cooperative Agreement and other documents, including an undated "Revised Business Plan" submitted to USAID by COK, indicate that the terms of COK's involvement with the project were clearly communicated. Loan size limitations and interest rate policies were particularly well documented in the Cooperative Agreement. It is possible that the COK failure to understand these matters was due to lack of attention by the organization's management. It is also possible that COK signed the agreement with the expectation that USAID would relax the conditions during the course of program implementation. Regardless of the reasons for the incompatibility, the decision to terminate the agreement was clearly the only option available to USAID. The program did not make significant progress toward achievement of the objectives established in the Cooperative Agreement:*

- There have been no efforts to formally measure the impact of MDP financed training however, COK management indicates that staff training effectively improved their credit portfolio management capabilities. It also appears that exposure to MDP's lending methodologies may have influenced the development of the COK "quick loan" window which provides small, rapidly approved loans to its membership.
- Operational support from MDP enabled COK to hire and train two loan officers. Although the officers did not implement MDP lending methodology, they are reported to have improved the quality of COK's overall loan portfolio management.
- No USAID funds were disbursed for lending under the program, and the COK portfolio of loans under US\$300 was not reinforced as anticipated.
- The program is unlikely to have had any significant influence on overall COK financial health, including contributions to the organization's self sustainability, operating costs or overall loan portfolio delinquency rates.

#### IV.A.4. Workers Bank

Background: In 1991, Workers Bank was purchased from the Government of Jamaica by Jamaican private investors. At the time of acquisition, the bank had a deficit of J\$110 million. By early 1994, when Workers Bank was selected by USAID for participation in the MDP, the new owners had nearly eliminated the deficit (the bank closed its 1994 fiscal year with an overall profit). Workers Bank, with its 12 branches, 7 sub-branches, and its strategic alliance with a network of 247 post office outlets throughout the country, was considered to be uniquely positioned to provide credit services to micro entrepreneurs in all areas of the country, including those located in rural areas with no other access to credit services. The bank's Workers Enterprise And Loan Thrust Program (WEALTH), which emphasized the bank's commitment to "providing banking facilities to all persons at all levels of society" was selected as the base on which MDP programming would be further developed.

The Workers Bank Program: The Cooperative Agreement. (effective February 27, 1995 through July 31, 1997) was expected to utilize the bank's WEALTH initiative and its post office network to provide short-term loans to existing small and micro enterprises, particularly those that indicate greatest potential for income growth and employment generation. The program was to emphasize short-term working capital credit, employing a 'minimalist' approach to lending which is based on character evaluation and strict portfolio supervision. The agreement anticipated that the program would require considerable pre-implementation effort. Disbursements were to be limited to training and equipment purchases until staff could be prepared and Workers Bank effectively addressed several weaknesses that had been identified in a pre-award audit. Total USAID grant funds of US\$330,687 were budgeted for the program, including: \$ 50,000 in loan funds; \$127,977 in Apple Funds; \$64,000 for operating expenses; \$32,110 for training; \$40,600 for office equipment; and \$16,000 for auditing.

The operating performance targets included: 100% financial self-sustainability; at least J\$20 million of additional loan fund capitalization; 500 loans originated in Year One and 1,000 in Year two; maximum delinquency rates of 10% over 30 days and 5% over 90 days; a maximum of 5% loan default rate, including all write-offs. (Table 8)

The program was expected to maintain an interest rate policy which provides lowest possible rates which reflect the true costs of delivering the service, including operational costs, cost of funds, inflation, provision for loan losses and satisfactory return for the bank.

Table 8

## Workers Bank Performance to Date

Category	Target	Achievements 3/31/97	Expectations
Financial Self Sustainability	Operating revenues = 100% of all costs, losses and inflation by 7/31/97		Interest income projected to exceed operating costs by late 1998
Matching Funds	Minimum J\$20 million Loan Fund Capitalization	Over J\$ 3.8 million loaned with W.B. funds.	Loan portfolio expected to be capitalized entirely with W.B. savings.
Loans Made	Minimum 500 Loans in Year One and 1,000 in Year Two	257 Loans made during six months since 10/96	C u r r e n t portfolio growth rate exceeds target rate
Delinquency Rates	Less than 10% over 30 days and < 5% over 90 days	No significant delinquencies	Delinquencies expected to be controlled
Loan Defaults	Less than 5%	No defaults	D e f a u l t s expected to be controlled.

Program Performance and Current Status: Implementation of the Workers Bank program was delayed until February 1996 when USAID contract staff prepared and presented an implementation proposal which was accepted by bank management. In March 1996, a program manager was hired and trained, and operating procedures and related documents were developed. During the first quarter of 1996, Workers Bank managers and loan officers participated in training courses on loan policy development and portfolio management.

Through September 1996, program implementation included further refinement of program design, staff recruitment and training, installation of computer systems and preparation of 5 post offices for participation in the program. Scheduled lending activity had not begun due to delays in staff recruitment and operational issues which were being addressed by MDP managers and Workers Bank officials. Although lending had not yet begun, on-going (non program related) Workers Bank lending was beginning to demonstrate delinquency problems. It was noted by USAID managers that the methodology employed by the bank for its non-program lending involved larger amounts and longer terms and less intense supervision than was anticipated by the USAID supported project.

The program began pilot lending operations in early October 1996. By the end of the quarter, 91 loans (including 7 repeat loans) were made totaling J\$1,345,000. Early portfolio performance was encouraging: only minor delinquency was demonstrated during the Christmas holidays. In addition to the lending activity, the last quarter of 1996 was dedicated to "fine tuning", staff training and solving computer system problems. By the end of March 1997, loan disbursements had increased to 257 (totaling J\$3,827,500) and no serious delinquencies had been recorded. Workers Bank had announced senior management changes intended to provide additional thrust to the postal banking program. Staff preparation continued.

Since the bank had not yet fully satisfied all conditions precedent to disbursement of USAID resources designated for loan fund capitalization, the entire loan portfolio had been financed with Workers Bank deposit funds.

Significant progress had been made however, toward satisfying the conditions precedent, including improved Workers Bank Post Office Division accounting and filing systems and proper assignment of USAID financed computer equipment. Remaining items included relocation of project funded computers to the Postal Division and certification by USAID's Financial Analyst that all weakness in the pre-award audit had been addressed.

As of March 31, 1997, no USAID funds had been disbursed for lending. USAID disbursements to the Workers Bank program totaled US\$39,378. Table 9 displays USAID expenditures against the Cooperative Agreement budget which was amended by mutual agreement on June 21, 1996.

Table 9

Workers Bank Program Expenditures  
(US\$)

	Amended Cooperative Agreement Budget	Expenditures through 3/31/97
Loan Funds	50,000	0
Apple Funds	127,977	0
Operating Expenses	64,000	29,116
Training	32,110	5,148
Office Equipment	40,600	5,114
Audit	16,000	0
TOTAL	330,687	39,378

Conclusions

Although still in its pilot phase, the Workers Bank program has demonstrated significant potential for realizing MDP objectives. The bank organization with its post office network has all of the characteristics necessary to effectively reach the target communities. The strong community orientation of the bank renders it uniquely compatible with the MDP focus. Bank management has responded well to MDP's particular operating methodology, and the recently recruited and trained portfolio management staff has assumed responsibilities with considerable enthusiasm. However, experience to date with the Workers Bank, along with previous MDP implementation efforts, indicate that the program will continue to require very close monitoring and management by experienced staff representing the Mission. Project managers will continue to be challenged with the task of balancing respect for Worker Bank autonomy and enthusiasm with the responsibility for intervention necessary to maintain program course. By way of example:

- Workers Bank management recognizes the importance of the post office strategy to continue growth of its client base and is anxious to establish the program as quickly as possible throughout the country. The bank has recently suggested an implementation schedule which is considerably more aggressive than that which has been envisioned by USAID project managers. Close monitoring and regular, informed dialogue with bank management will help avoid expanding the program beyond the bank's managerial capacity.
- The bank has recently decided to incorporate a "forced savings" component in the loan program. While the action does not necessarily threaten the viability of the program, it represents a modification of the original operating methodology. The fact that the decision was made without adequate consultation with technical advisors is cause for concern.

- The bank has expressed interest in continuing a program of extensive remodeling of the post office outlets. USAID contracted technical advisors recognize that any expenditures beyond those that are absolutely necessary for basic operation will increase the costs of operation and jeopardize potential for achieving self sustainability. Although bank managers have fully subscribed to the MDP "minimalist" lending philosophy, regular, "face-to-face" contact is required to guide the bank toward active and continuous compliance with a credit system development strategy that is consistent with plans to achieve sustainability.

Workers Bank has established a pace of loan portfolio development that is consistent with original projections. The entire loan portfolio as of 3/31/97 (totaling nearly J\$4 million) has been financed with Workers Bank resources. USAID and Workers Bank management agree in principle that USAID funds will not be needed for loan fund capitalization at any point during the program.

Projections developed by USAID contracted experts indicate that the program could achieve self sufficiency and satisfy other MDP objectives within three years.

During the course of the current evaluation, rumors have persisted regarding possible financial problems within the Workers Bank organization. Although no analysis of the matter has been performed, the banking industry in Jamaica is generally experiencing considerable stress. Since MDP credit component implementation is currently dependent entirely on the Workers Bank, it would be prudent to conduct a careful examination of the bank's financial health as soon as possible.

#### IV.B. Lessons Learned

Lesson: Continued MDP implementation programming will be best served by a localized credit delivery system in which loan officers are able to circulate freely and inexpensively throughout their client community. EDT and ASSIST loan portfolio management was seriously handicapped because loan officers had limited contact with borrowers; and implementation of the "minimalist" lending methodology in the Kingston area, which involves travel by motorcycle or on foot, was considered to be impractical by COK managers and loan officers. Lending to micro entrepreneurs requires regular, cost effective access to borrowers. Any restrictions on contact with borrowers (e.g. transportation problems, socio-cultural differences, neighborhood violence) will impact negatively on program effectiveness.

Lesson: Successful MDP programming will require significantly increased investment in project management and technical assistance. It is apparent that USAID managers labored diligently on behalf of project implementation; and the extreme difficulties that were encountered by EDT and ASSIST may have been beyond the reach of reasonable technical assistance. However, more intense Mission contact with implementing agencies and greater levels of technical assistance may have ameliorated many of the problems that impeded successful implementation.

Although implementation of the Workers Bank program appears to be progressing satisfactorily, numerous serious potential impediments have been effectively dealt with through conscientious intervention by Mission managers and technical advisors. The relatively higher level of management attention that has been invested in the Workers Bank program appears to have been a major factor to date in its relatively successful early phases of implementation.

Lesson: Performance targets for ASSIST and EDT were determined by midterm evaluations to be unrealistic. Overly optimistic expectations for loan portfolio development and matching funds may have contributed to ASSIST's imprudent levels of debt and exposure to portfolio risks. New MDP lending targets and other



project objectives should be based on realistic assessments of the management capabilities of the credit delivery agent(s). Technical assistance, training and project management inputs must also be carefully coordinated with the credit delivery aspects of implementation.

Lesson: Innovative programming such as that being implemented through Workers Bank is proving to be best facilitated through patient pilot trials and liberal use of technical assistance. Although the methodology being employed has been well demonstrated in other countries, it will require careful introduction to the particularly difficult local environment. In spite of more than six years of MDP funding, the Mission and its credit delivery agents have limited positive experience with "minimalist" lending in Jamaica. Implementation of the Workers Bank program and any other MDP programming should proceed cautiously, applying analysis of previous experiences (positive and negative) and ensuring that sufficient technical and managerial resources are invested in project development.

Lesson: Compatibility between the basic principles of the minimalist philosophy and the lending approach of the participating institution must be ensured prior to entering into a Cooperative Agreement. Failure to ensure basic agreement on the lending approach resulted in significant waste of project resources.

## V. Project Implementation

Technical assistance was intended to create a cadre of policy makers and practitioners in sustainable microenterprise lending methodologies; establish and strengthen the lending operations of participating organizations; improve the information base for policy makers and practitioners; and monitor and evaluate project progress. This chapter assesses the organization of technical assistance, including the role of the Project Management Unit (PMU) and centrally funded projects in the implementation of the MDP.

### V.A. Organization of Technical Assistance

Technical assistance has been provided through a complex set of implementing arrangements that evolved during the life of the project and that includes the following agencies and institutions:

USAID Project Management Unit: A personal services contractor served as Project Manager (PM) from June 1991 through March 1997. A project assistant was appointed in 1993. The PMU monitors the progress of all USAID agreements; provides technical assistance and training to counterpart institutions with the support of centrally funded projects; and provides a database of materials in the field of microenterprise development worldwide for other donors, the GOJ, staff from local microenterprise agencies and others interested in the sector.

Mennonite Economic Development Agency (MEDA) and Opportunity International (OI): In addition to funding for program support and credit, the cooperative agreements with EDT and ASSIST stipulated that TA would be delivered by their NGO sponsors. In the case of EDT, the cooperative agreement provided funding for EDT to buy technical assistance from (MEDA). Opportunity International (OI) provided technical assistance to ASSIST without USAID funding.

Development Alternatives, Inc. (DAI): USAID/Jamaica purchased services through a buy-in contract negotiated in 1994 under the Growth and Equity through Microenterprise Investments and Institutions Project (GEMINI). Gemini provided technical assistance to develop business plans for the micro and small enterprise lending operations at ASSIST, COK and Workers Bank; conduct a training needs assessment and develop a training program. A long-

term Financial Institutions Specialist, housed in the PMU at USAID, worked with counterpart institutions to coordinate training and technical assistance. International trainers were provided for the Micro and Small Enterprise Finance Institutions Training Program operated through the Entrepreneurial Extension Center of the University of Technology. The contract expired in September 1995.

KPMG/CARANA: A buy-in contract under the Financial Services Development Project (FSDP II) was negotiated in September 1995. The contract ends in September 1997. It provides technical assistance and training to local microfinance institutions including ASSIST, Workers Bank and the COK. The local Financial Institutions Specialist, hired under the GEMINI Project, was reappointed. Two lead international advisors have provided technical assistance. Trainers were provided for the University of Technology's Microfinance Training Program.

University of Technology (UTECH): UTECH provided organizational and technical inputs for the project supported Micro and Small Enterprise Finance Institutions Training Program and for production of training videos.

Michigan State University (MSU): A buy-in contract to the GEMINI Project provided technical assistance to the Statistical Institute of Jamaica (STATIN) for the National Baseline Survey and Quarterly Panel Surveys of Micro-enterprises. MSU also provided technical assistance to STATIN for the Parallel Panel Survey preparation work at EDT and ASSIST.

Weidemann and Associates: A buy-in contract under the Global Bureau's MicroServe Contract was negotiated to provide technical support for the development of training videos for microenterprises in selected sectors. A local production firm was subcontracted to produce four videos.

Government of Jamaica/Government of the Netherlands (GOJ/GON) Microenterprise Project Management Unit: The PMU works out of the Ministry of Industry, Investment and Commerce and has managed various contracts which USAID has co-financed, including research and training efforts. Presently, the GOJ/GON PMU is managing the National Baseline Survey on the micro and small enterprise sector which MDP is co-financing.

Assessing the Impact of Microenterprise Services (AIMS): A buy-in contract under the AIMS project was negotiated in September 1996. Technical assistance will be provided to develop impact indicators which will be incorporated into the routine monitoring system to be designed for Workers Bank. Due to problems in implementation of USAID's worldwide New Management System (NMS), the contract was not approved until February 1997. Implementation will begin in May 1997.

#### **V.B. Technical Assistance to Participating Institutions**

Technical assistance provided under the project was designed to strengthen credit institutions to ensure their long term efficiency and sustainability. International experience indicates that this process requires a minimum of three to four years and considerable technical assistance. The need for technical assistance was recognized in the Project Paper and acknowledged in Cooperative Agreements with counterpart institutions. However, in the first three years of the project, technical assistance was not given the emphasis that was intended.

Cooperative agreements with EDT and ASSIST relied on MEDA and OI, the NGO sponsors, to provide technical assistance. MEDA provided three consultancies to review financial and operational performance and prepare credit and operations manuals. The mid-term evaluation of the MDP could not identify what help, if any, had been furnished by OI. That team concluded that neither agency's

assistance adequately met the guidance and technical needs of their Jamaican agencies during start up. In addition, technical assistance arrangements did not allow USAID/J to maintain sufficient control over the design or delivery of the technical assistance.

The essential role of technical assistance in institution building was acknowledged in the 1993 Project Paper Amendment. The GEMINI buy-in provided technical assistance, however, GEMINI started late and, as a result, technical assistance through GEMINI did not begin until August 1994. The Cooperative Agreement with EDT had been terminated by that time and the ASSIST loan portfolio was already in danger.

Project staff have shown a growing appreciation of the fact that more labor intensive efforts are required to bring organizations to operational efficiency. More programmed technical assistance was provided to COK prior to the termination of its cooperative agreement, including assistance in the development of new products, streamlining loan processing operations, development of an action plan and operations manual. With respect to Workers Bank, the PM and local Financial Institutions Specialist provide on-going technical inputs related to implementation of the micro lending program and development of operating systems and an operations manual. They also conducted in-house training for newly recruited Partner Bankers and Administrative Officers. Technical assistance has been provided by international experts to develop the micro lending program, business plans and financial projections. The Microbanker program was modified for the management information system.

### Conclusions

Technical assistance has been provided through a complex set of implementing arrangements. The complexity of these arrangements has weakened USAID's ability to manage technical assistance.

In the first three years of the project, technical assistance was not given the emphasis that was intended.

The evaluation team notes positive outcomes from technical assistance provided to Workers Bank, including development and implementation of systems and procedures conducive to minimalist lending. At the same time, the team notes the following:

The contract with CARANA stipulates that the international consultant returns to Jamaica at key trigger points. Since the Workers Bank has fallen behind schedule in implementation, this means that there are long intervals between visits by the consultant. For example, the consultant indicated that he did not expect to visit Jamaica between March and late 1997. The evaluation team feels that more regular technical direction is required. This will be especially important in light of the fact that the Project Manager left the project in April 1997.

Technical assistance (and training) has not been sufficiently directed to the "interfaces" within the organization. Obstacles to implementation of minimalist lending policies have occurred at these interfaces. For example, Human Resource Development and Operations, has delayed approval of personnel and budgets required to implement minimalist lending strategies.

### **V.C. Adoption of Minimalist Lending Strategies**

Implementation of minimalist lending strategies requires a new way of thinking about credit for microentrepreneurs, including quick disbursing loan mechanisms; long-term, repeat relationship with borrowers that involve frequent contact with

borrowers; low overheads; quick turnover portfolios and applications of market rates of interest. Interviews conducted during the course of this final evaluation make it clear that this "paradigm shift" is not complete. Many lending institutions and policy makers in Government continue to support traditional credit approaches to the sector included subsidized interest rates and large, collateralized loans. The project provided technical assistance and training to policy makers and Board Members of several institutions to introduce them to minimalist lending strategies. The efforts promoted some changes. Limited support for minimalist lending strategies can be found in the GOJ and in some lending agencies. ASSIST began experimenting with some aspects of minimalist lending strategies; e.g., 3-4 month, uncollateralized working capital loans at J\$8,000. Workers Bank is implementing a minimalist lending program. Other credit institutions; e.g., St. Thomas Credit Union, Self-Start Fund and NDF/J, have also experimented with minimalist lending strategies. MDP efforts contributed to these changes. However, project supported efforts were not sufficient to produce the required paradigm shift.

### Conclusions

*Consistent and targeted technical assistance facilitates the adoption of minimalist lending strategies. On-going dialogue between decision makers and international experts and directors of successful foreign programs is necessary to ensure that the "paradigm shift" to minimalist lending strategies occurs.*

*The technical assistance (and training ) provided to decision makers in Government and at EDT, ASSIST and COK was not sufficient. More sustained efforts were required to ensure that lending institutions were supportive of minimalist lending strategies.*

*Lack of support for minimalist lending strategies among these decision makers reduced the overall impact of technical assistance (and training) provided by the project.*

*Consistent and targeted assistance of technical assistance to Workers Bank has yielded positive results. Management is supportive of the minimalist approach. This has facilitated implementation of the Post Office Program.*

### **V.D. Centrally Funded Projects**

As indicated above, numerous agencies and contractors have been involved in implementing the MDP and in providing technical assistance to credit and training institutions. This is due in part to the nature of the project which provided support to four credit institutions; developed training programs for the microfinance sector; and supported small pilot non-credit initiatives. It also resulted from reliance on centrally funded projects for technical backstopping.

The MDP relied on four centrally funded projects: GEMINI, FSDP II, MicroServe and AIMS. Centrally funded projects offer many benefits, including enhanced access to international experts and reduce contracting procedures for Mission managers. FSDP II also provided \$490,000 in additional funding and FSDP II contracting has gone smoothly. However, reliance on centrally funded projects contributed to delays which had negative consequences for project implementation. GEMINI did not start on time and, as a result, training did not follow the training plan which specified that managers would be the first group to be trained. This meant that later training for loan officers was less effective as they returned to a work environment that did not allow them to fully implement newly acquired concepts. Delays in the start-up of GEMINI also meant delays in implementation of technical assistance to ASSIST. Earlier provision of such assistance may have resulted in a healthier lending program. As a result of delays in the adoption of USAID's New Monitoring System and subsequent delays in the start of the AIMS project, adequate monitoring systems have not been put in place.

In addition, reliance on centrally funded projects reduces the control that the Mission has had on the management of technical assistance. DAI assigned four technical directors between 1994 and 1995. This resulted in a lack of continuity in the provision of technical assistance. In addition, the DAI Technical Director was not fully available for follow-up. As a result, the project manager was required to play a larger part in the provision of technical assistance than originally anticipated.

As indicated above, there are benefits to centrally funded projects. When operating as intended, they represent an efficient mechanism for contracting international experts. However, reliance on centrally funded projects has meant that the PMU has had to respond to a variety of administrative and contracting procedures.

### Conclusions

*Reliance on centrally funded projects has contributed to implementation delays and a lack of continuity in the provision of technical assistance. This has reduced the ability of the USAID mission to manage technical assistance.*

### **V.E. Project Management**

Project management evolved during the life of the project. The Project Manager was contracted in 1991. His original terms of reference included general project management and technical direction to participating organizations. A USAID Project Officer was responsible for oversight of the project until 1992. The USAID Project Officer departed in 1992. After his departure, the Project Manager's terms of reference were expanded to include Project Officer responsibilities. The PMU, which had been located outside of the USAID Mission, was relocated to the USAID Mission in 1993.

The mid-term evaluation recommended that the PMU remain a core management, advisory and guiding unit rather than a direct source of technical assistance and training. This recommendation was not implemented and the PMU continued to provide technical assistance and training to counterpart institutions. In fact, his role as technical advisor grew with his involvement in provision of direct technical assistance and training to Workers Bank.

### Conclusions

*It has proved difficult to function as a project officer, project manager and technical advisor. A continued tension exists between these roles. Existing arrangements have worked because of the continuity of leadership provided by the first PM, his personal commitment to the project and his own management style. The PM left the project in March 1997. A new PM is likely to have difficulty in mastering these roles simultaneously.*

### **V.F. Pipeline Analysis**

As of March 31, 1997, the pipeline was equal to \$610,460 (Table 10). The Credit Component accounts for 49% of the existing pipeline. An additional \$650,580 will be decommitted when accounts for EDT, ASSIST and COK are closed. This will increase the pipeline to \$1,261,040 (of which \$547,936 will be attributable to the Credit Component and \$400,000 to the Anti-Poverty Lending Component). To date, \$807,100 has not been obligated. Indications from the Mission are that the balance of unobligated funds will be available to the project. This will bring the total available for a project extension to \$2,062,140.

Table 10  
Pipeline Analysis  
(As of March 31, 1997)

ELEMENTS	LOP	OBLIGATED	COMMITTED	DISBURSED	PIPELINE
	(A)	(B)	(C)	(D)	(B-C)
CREDIT	\$2,900,732	\$2,360,632	\$2,063,276	\$1,641,970	\$297,356
NON CREDIT	\$234,268	\$234,268	\$134,193	\$101,693	\$100,075
POLICY/INFO/ MONIT/EVAL	\$465,000	\$413,000	\$234,211	\$208,711	\$178,789
PROJECT IMPL.	\$700,000	\$700,000	\$671,234	\$541,301	\$28,766
CONTINGENCY/ AUDIT	\$100,000	\$85,000	\$79,526	\$79,526	\$5,474
ANTI- POVERTY LENDING	\$600,000	\$400,000	\$400,000	\$0	\$0
TOTALS	\$5,000,000	\$4,192,900	\$3,582,440	\$2,573,201	\$610,460

As indicated in Table 10, Anti-Poverty Lending (APPLE) funds have not been dispersed although Cooperative Agreements with ASSIST, COK and Workers Bank include APPLE funding. APPLE loans stipulate a maximum loan size of US\$300. At ASSIST, average loan size was well above the APPLE limit. COK did not satisfy all conditions precedent to disbursement of loan funds prior to termination of its cooperative agreement and did not, therefore, access APPLE funds. Workers Bank does not require loan fund capitalization.

#### V.G. Lessons Learned

Lesson: Strengthening credit institutions requires considerable investments in time and technical assistance. It takes a minimum of three to four years to bring a credit institution to operational efficiency. During the developmental phase of a program, technical assistance should be provided on an on-going basis and should be designed to match the developmental time line of credit institutions.

Lesson: Adoption of minimalist lending strategies requires a new way of thinking about credit for microentrepreneurs. Acceptance of the minimalist lending approach by policy makers in Government and in credit institutions requires on-going opportunities to observe successful programs in other countries and to interact with managers of successful programs. It also requires regular dialogue with technical advisors and project managers.

Lesson: Centrally funded projects have provided high quality technical assistance and program support to MDP. They have also contributed to implementation delays and have reduced the control that the Mission has on the management of technical assistance. The Mission has little control over the implementation of centrally funded project, however, it is important that every effort be made to synchronize inputs from centrally funded projects with those of other projects.

Lesson: Complex projects such as MDP require significant investments in project management. Project management is enhanced through separation of the Project Officer and Project Manager functions. The level of human and other resources

required for project implementation suggests that use of an institutional contractor for project implementation may be warranted.

## VI. Training for Institutional Strengthening

An integrated set of training activities has been implemented to improve financial services to the microenterprise sector. Project supported training activities include sponsorship at SEEP workshops; study tours to the Dominican Republic; sponsorship of a Training Program for Micro and Small Enterprise Financing Institutions at UTECH; and in-house training at Workers Bank. (Table 11)

Table 11  
Overview of Training for Institutional Strengthening

	Number Trained	Target Group
<b>I. INSTITUTIONAL STRENGTHENING</b>		
A) SEEP Workshop	4	Senior Managers, Loan Officers
B) Study Tours to Dominican Republic	17	Senior Managers, Board Members, Donors, Wholesalers, GOJ
C) Micro and Small Enterprise Financing Institutions Training Program:		
1) Conference on Micro and Small Enterprise Finance Methodologies from Successful Programs Worldwide	60	Board Members, Senior Managers
2) University of Technology Training Program	209	Board Members, Senior Managers, Loan Officers, Donors, Wholesalers
D) Workers Bank In-House Training	18	Loan Officers

### VI.A. SEEP Workshops

Early training efforts included sponsorship of two individuals from ASSIST and two from EDT to attend a SEEP Workshop on sustainable lending practices in 1991. Positive benefits appeared to have accrued from attendance and information obtained at the workshops was utilized in the lending programs of both NGOs. For example, ASSIST used the computer program acquired during the workshop for planning purposes.

### VI.B. Study Tours

Seventeen individuals (plus USAID and project staff) participated in study tours to the Dominican Republic between January 1993 and October 1995. Study tour participants were from the following agencies/institutions: EDT, ASSIST, COK, Workers Bank, the National Development Foundation/Jamaica, Self-Start Fund, Micro Investment Development Agency, COPE, Trafalger Development Bank, the Office of the Prime Minister, the Women's Bureau and Coopers and Lybrand. Visits ranged from 3 to 10 days and included visits to ADEMI and FONDOMICRO. The GOJ/GON provided co-financing for some of the participants. The main objectives of the

study tours were to increase awareness among decision makers of the benefits of positive rates of interest and improve understanding of the minimalist lending approach. The MDP also provided support to UTECH (Entrepreneurial Extension Center) and NDF/J staff to visit the Kenyan Rural Enterprise Project.

Interviews with study tour participants indicate that the tours had significant positive benefits. Participants noted that the visits helped them to understand the principles of minimalist lending and laid the foundation for adoption of minimalist lending. All participants, except those from COK, felt that the study tour opened their eyes to the possibilities of minimalist lending in the Caribbean.

#### VI.C. Training Program for Micro and Small Enterprise Financing Institutions

A Training Needs Assessment was conducted in 1993 and led to development of a training program offered in conjunction with the Entrepreneurial Extension Center at UTECH. The Training Program, taught between September 1994 and April 1996, began with an International Conference on Micro and Small Enterprise Finance Methodologies from Successful Programs Worldwide for donors, wholesalers, Board of Directors, staff of lending agencies and the GOJ. Executive Directors of successful microenterprise programs from Bolivia (Banco Sol), Kenya (Kenya Rural Enterprise Program) and Egypt (Alexandria Business Association) were presenters. The objective of the conference was to demonstrate that financial institutions can provide financing to micro and small enterprises on a sustainable basis and that these institutions all operate on common principles which cut across regions and countries. A review of conference evaluations and comments from participants indicates that the conference objective was realized. Participants were generally pleased with the content and organization of the conference and valued the opportunity to interact with the overseas presenters and with their own colleagues.

The training program continued with courses in Loan Appraisal and Analysis; Loan Portfolio Management and Financial Viability; Management Information Systems; Issues of Institutional Governance, Safety and Soundness; Assessing Entrepreneurial Competencies; Loan Portfolio Management; Marketing the Services of a Micro Financial Institution and Lease Financing. (Annex 5) Courses were taught by international trainers. Classroom training was to be followed by technical assistance visits.

Initial projections called for 50 individuals to receive training, however, 209 individuals from NGOs, Credit Unions, Banks and other lending institutions participated. Twenty individuals from the Eastern Caribbean were among the participants.

The training program was a collaborative effort among donors. USAID and the GOJ/GON cofinanced the training plan. USAID financed international trainers, curriculum development and development of course materials. The GOJ/GON project financed training of trainers and sponsored one course on Lease Financing. The EU provided scholarships for some of the participants.

Written evaluations by course participants and interviews with individuals who participated in the courses indicate that courses were well organized and well presented. Courses provided useful information although it tended to be more of a review for senior managers and was not always felt to be culturally appropriate. Participants reported that course impact was limited by the fact that the credit environment within lending institutions did not allow them to implement concepts acquired in courses. This problem was exacerbated by the fact that senior managers were not trained until after loan officers. Although the training plan called for senior managers to be trained first, difficulty in recruiting appropriate trainers led to the postponement of training for managers.



The impact of the training program was limited by two additional factors. First, training did not begin until 1994. This was too late to meet the needs of EDT and ASSIST. Second, classroom training was to have been followed by technical assistance delivered by trainers financed through the GOJ/GON project. This happened only to a very limited degree, in part, because of problems in employing trainers. The lack of follow-up technical assistance weakened the overall impact of training.

To date, the program has been offered once. The program has been partially institutionalized at UTECH and one trainer is still on staff. UTECH indicates that it has the resources to offer the program as part of the university's regular course offerings, however, this has not yet happened.

#### **VI.D. In-house Training at Workers Bank**

Eighteen newly recruited loan officers participated in 5 day training programs. Courses were facilitated by the Project Manager and the Financial Institutions Specialist. Among other topics, courses included principles of micro-lending and the minimalist approach, the application and appraisal processes, interviewing techniques, approval and disbursement process, portfolio reports and monitoring, collection processes, managing delinquency, MicroBanking, quality customer service, time management and market surveying. Interviews with participants indicate that the courses were excellent and that useful information with direct applicability was presented. The performance of the loan portfolio at Workers Bank is an indication of the effectiveness of the in-house training program.

Participants identified the following needs for future training: refresher courses in delinquency management, legal aspects of business formation, general information on all of Workers Bank products; and study tours for comparative exposure. Participants also identified a need for training for Workers Bank staff in departments that interface with the public and for Post Office Clerks so that these groups can better explain the Post Office Program to the public.

#### **Conclusions**

*Individual training events supported by the MDP reached short-term objectives, however, training did not have the cumulative impact anticipated;*

*Exposure to successful programs in other countries, through study tours and international conferences played an important role in the promotion of minimalist lending strategies;*

*Efforts to strengthen institutions through formal training programs did not match the developmental time lines of EDT and ASSIST; and*

*Training initiatives included many key decision makers in Government and in lending institutions and promoted discussions about minimalist lending within Government and throughout the microfinance sector. Several institutions experimented with minimalist lending strategies. However, training did not sufficiently target key decision makers in government and in cooperating institutions. Interviews conducted as part of this final evaluation were consistent in pointing to the need for more on-going efforts to promote support for minimalist lending strategies.*

*In-house training at Workers Bank has been targeted to the specific needs of the organization and has been highly effective.*

## VI.E. Lessons Learned

Lesson: In order to ensure that training initiatives designed to strengthen lending institutions have their intended impact, they must be offered in conjunction with training for policy makers. Training for policy makers requires an on-going mix of activities, including study tours, conferences, dialogue with directors of successful programs in other countries and on-going interaction with technical advisors.

Lesson: Training for institutional strengthening is most effective when it matches the developmental time line of the lending institution and is targeted to the specific needs of the organization.

## VII. Entrepreneurial Training

Entrepreneurial training was provided at EDT and ASSIST with program support from MDP. Entrepreneurial training was also provided through project funded grants to three pilot projects. (Table 12)

Table 12  
Overview of Entrepreneurial Training

PROGRAM	NUMBER TRAINED
A) ASSIST/EDT Training	5,103
B) Training Videos (1)	0
C) East Westmoreland Craft Producers	45-60
D) National Development Foundation(1)	0

(1) Program not fully implemented

### VII.A. Entrepreneurial Training Provided by EDT and ASSIST

At EDT, prospective clients were required to participate in a four-hour training course which provided basic information on business management, marketing and bookkeeping. Training was open to clients and non-clients. EDT also provided assistance in preparation of business plans and business counselling services. Training was provided free of charge. Training at EDT was rudimentary and participation was viewed as part of the application process and "as a means to weed out applicants."

ASSIST offered workshops in marketing, product pricing, bookkeeping, stock evaluation, production systems and business expansion. Course materials were developed in-house and modeled after programs in other countries. Workshops were of three hours duration and participants paid a nominal fee. When first initiated, training was optional and open only to credit clients. Training was later made mandatory for credit clients and opened to entrepreneurs not accessing credit. Credit officers also provided business counselling and extension services to clients.

Original project targets called for 750 entrepreneurs to be trained (450 males and 300 females). Two subsequent increases raised these targets to 8,000 (4,000 males and 4,000 females). A total of 5,103 entrepreneurs received MDP supported training (2,336 males and 2,767 females).

There is no information on the effectiveness of EDT and ASSIST courses. Less than ten written evaluations by course participants were available at ASSIST. This is too small a number from which to generalize. It was not possible to access client evaluations of entrepreneurial training at EDT. A decision was made not to attempt to locate past participants as it was felt that any information obtained from entrepreneurs would be of questionable value due to the amount of time that has elapsed since training and the status of the loan portfolio.

### **Conclusions**

*Training provided by EDT and ASSIST was at an introductory level. It is impossible to draw conclusions about the impact of training on microentrepreneurs.*

### **VII.B. Training Funded under the Non-Credit Component**

At the time of the mid-term evaluation, no programs had been funded under the non-credit assistance component. Due to concern about a loss of project focus, the mid-term evaluation team recommended that the non-credit assistance component be discontinued. This recommendation was not implemented. The final evaluation team agrees with the decision of the mission. Since the mid-term evaluation, three promising pilot initiatives have been funded. These initiatives are discussed below. It should be noted, that it is too early to assess the effectiveness of the initiatives funded under this component.

**Training Videos:** Training videos were produced by Weidemann Associates in association with UTECH Entrepreneurial Extension Center. USAID funded production of the videos and the facilitator and participants guides. Technical and production assistance was provided through a buy-in to the Global Bureau's MicroServe project. A local production firm was sub-contracted through competitive bidding procedures. The GOJ/GON project funded research in preparation for the videos and development of business profiles which will complement the videos. Upon completion, the videos will reside at UTECH who will make them available to organizations conducting training for their members. The USAID contribution to production of the videos is \$98,140.

Videos in the following sub-sectors were produced: Dressmaking/ Tailoring, Day Care, Small Scale Restaurants and Furniture Manufacturing. Videos were intended to present best practices being used in successful small businesses to assist microentrepreneurs to develop their businesses. Focus group sessions involving persons from lending and training agencies and entrepreneurs were held to discuss sector selection, areas of need and best practices. These focus group sessions led to the development of interview guides for production of the videos.

### **Conclusions**

*Delays in the start up of the MicroServe project and subsequent contracting delays led to delays in starting production. UTECH was also late in providing technical inputs into the selection of subsectors and feedback on draft videos. Scheduling deadlines were not met. As a result, filming occurred during the Christmas holiday season which was not a good time for this type of endeavor. Delays have resulted in significant cost overruns which Weidemann plans to absorb.*

*The videos represent a good first effort and should be useful in promoting interest among potential entrepreneurs in starting microenterprises and among existing microentrepreneurs in strengthening their businesses. However, lessons regarding best practices are not clearly developed. Important topics are raised but not examined in depth. Improvements based on comments received from UTECH,*

the USAID mission and others are in progress and should improve the final product.

Funding for copying and dissemination of the videos was not provided by USAID. This was the responsibility of UTECH. UTECH is currently approaching sponsors to underwrite the costs of duplication and dissemination. This raises a concern as the videos will not reach the intended beneficiaries if funding for copying and dissemination is not secured.

The pilot videos represent an interesting training model that can be duplicated in other countries. Representatives from Weidemann Associates showed the Day Care video at the Worldwide Microfinance Summit in February 1997. The video received considerable attention and inquiry.

**East Westmoreland Craft Producers Project (EWCPP):** The EWCPP is a group of rural craftpersons organized through the efforts of Jamaica Promotions Corporation (JAMPRO). JAMPRO requested funding to conduct a market survey of craft (straw) producers in rural Westmoreland in 1994. Technical assistance and training in entrepreneurship, management, bookkeeping, production and marketing has been provided by JAMPRO. U.S. Peace Corps Volunteers have coordinated JAMPRO's efforts. The USAID contribution to the project has been \$39,456. All funding has come from Improved Markets, Export Growth and Opportunities (IMEGO). MDP provided technical assistance during the initial planning stages, including assistance at early meetings and direction of the market survey. The MDP Project Manager also assisted with negotiations for a Peace Corp Volunteer. A site visit to the project was made as part of the evaluation mission. Twenty-eight group members participated in a discussion session. Members identify the following benefits from external assistance: improved production techniques; new designs, improved marketing; small but noticeable growth in income; and more regular income flows.

The East Westmoreland Craft Producers Association is in the process of becoming a legally established cooperative. The group received J\$1 million from the Office of the Prime Minister to assist with formation of the cooperative. There are currently 45 shareholders, including 40 women. The Association is exploring the possibility of building a production center and sales outlet/tourist stop on land to be acquired. A proposal has been submitted to USAID for assistance in development of the Center.

### **Conclusions**

Technical assistance and training have resulted in positive changes in production techniques, marketing and incomes of members.

Further strengthening of the Association with respect to both technical and business skills will be required for it to emerge as a self-sustaining entity. Technical assistance and training with respect to product development, diversification, production techniques, pricing, marketing and business management are required.

It is unlikely that the benefits achieved would have been realized without the concentrated efforts of the Peace Corp Volunteer. A replacement for the current Peace Corp Volunteer, who finishes her assignment in June 1997, has been requested by JAMPRO.

The East Westmoreland Craft Producers Project provides a model for other community based enterprises. A relatively small investment from USAID contributed to efforts which resulted in improvements in production, marketing and sales and which produced small but measurable impacts on the incomes of microentrepreneurs.

*This type of project is labor intensive and will require collaborative arrangements with an agency such as JAMPRO and reliance on assistance such as that provided by the Peace Corp Volunteers.*

**National Development Foundation of Jamaica (NDF/J):** The NDF/J requested assistance for creation of a Computer Center at NDF/J in Kingston. The USAID contribution to the project has been \$27,232 for the purchase of computer equipment. At the time of the final evaluation, a Center Manager had been appointed. The Center was fully furnished and equipped. The first course will begin in May 1997 and will include accounting and payroll modules. Fees for courses will be J\$4,000 per 14-week course. This is a partially subsidized rate. Fees will increase to full cost recovery at a later date. NDF/J projects that approximately 420 small and microentrepreneurs will be utilize the Computer Center annually. Every effort should be made to ensure that the Center reaches the microentrepreneur. NDF/J also plans to offer courses in secondary schools.

#### **VII.C. Lessons Learned**

**Lesson:** Lending agencies may not have the in-house technical expertise to develop and implement effective entrepreneurial training programs. As a result, entrepreneurial training provided by lending institutions varies in quality. Without adequate information systems, it is impossible to assess the impact of entrepreneurial training.

**Lesson:** Grant funding for programs designed to provide microenterprise support services, including marketing, management, legal services, technical assistance and training, represents a promising mechanism for provision of support services to microentrepreneurs on a geographically dispersed basis.

**Lesson:** Effective operation of a grant program for provision of micro-enterprise support services is time consuming. It requires adequate staff to generate and review proposals, negotiate contracts and oversee implementation of grants.

#### **VIII. Policy, Information and Research**

##### **VIII.A. The Memorandum of Understanding**

The objective of the Research and Policy Reform component of the MDP was to enhance the knowledge base on characteristics of and constraints in the microenterprise sector. Support for this component was committed as part of a joint donor effort in the sector. In February 1992, USAID/Kingston entered into a Memorandum of Understanding (MOU) with the Government of Jamaica (GOJ), the Government of Netherlands (GON) and the United Nations Development Fund For Women (UNIFEM) "to improve:

- \* Macro-policies for the micro and small enterprise sector in Jamaica, through a process of policy dialogue which will involve studies of the policy environment for this sector;
- \* National planning capacity for the sector by strengthening the data collection, reporting and coordination functions of the agencies involved, including collection of national statistical data on the sector; and
- \* Understanding of the constraints faced by women microentrepreneurs through a number of studies and through the support of activities of organizations and agencies supporting the microenterprise sector" (MOU, 1992).

Under the agreement, USAID provided support for implementing national surveys in 1992 and 1996, funding of quarterly panel surveys and a dynamic study of microenterprises. The Dutch funded a series of policy studies conducted

primarily by faculty from the University of the West Indies. The EU, through UNIFEM, funded studies on Women and the Microenterprise Sector. A complete listing of research conducted under the Memorandum of Understanding is presented in Annex 6. See Annex 7 for a summary of the findings of USAID supported surveys.

#### VIII.B. USAID Funded Surveys and Studies

**National Surveys on Microenterprises:** The 1992 National Survey on Jamaican Microenterprises was a joint effort of STATIN, ISER/UWI and MSU. Survey instrument and sampling methodologies were developed jointly. The survey including 2,392 entrepreneurs was designed to develop a profile of the microenterprise sector, to identify the constraints to growth among microenterprises and to analyze patterns of growth among male and female owned enterprises.

The National Survey provided the first national data on the microenterprise sector and gave information on the profile of the microentrepreneurs, constraints facing microenterprises and the potential economic contribution of the sector. The Survey benefitted from collaboration between STATIN, MSU and ISER/UWI. ISER/UWI indicated that the survey questionnaire was strengthened by the questions on the dynamics of the microenterprise sector that were already tested by MSU under the dynamic study in 1992. Overall, the National Survey was methodologically sound, provided useful information for policy makers, researchers, donors and financial institutions and has strengthened the knowledge base for decision making for the sector.

An update of the National Survey was undertaken in 1996. With only minor modification, the 1996 Survey used the same questionnaire as the 1992 survey. This allows direct comparisons. Implementation delays have been experienced. The survey was to have been completed by December 1996. Data collection is now complete and data is being cleaned and tabulated. The final report is expected in May 1997.

**Dynamic Study of Jamaican Micro and Small-Scale Enterprises:** The 1992 dynamic study traced 142 manufacturing enterprises that had been surveyed in 1980. The study examined major changes that occurred to document "new insights on the life cycle of micro and small enterprises." The study was methodological sound and successful in tracing a large number of the microentrepreneurs. Although informative in terms of the growth and death of microenterprises, it provides no policy recommendations.

**Quarterly Panel Survey:** The Quarterly Panel Survey (QPS) was the first attempt worldwide to generate dynamic data on microenterprises. It examined employment, wages, and sales (output) data on a quarterly basis between 1993 and 1994. The objective of the survey was to trace the seasonal and long run patterns of expansion and contraction of a panel of existing microenterprises. The survey included 700 firms drawn from a representative national sample.

Despite its important insights into the microenterprise sector, the delays in conducting and finalizing the QPS led to a loss of credibility in its value for policy reform. Although the intent was to repeat the QPS, this plan was cancelled due to delays in implementing the pilot QPS. Funds were redirected to support the updated national survey.

**Parallel Panel Surveys:** In addition to the QPS, MDP planned to conduct Parallel Panel Surveys at EDT and ASSIST to systematically compare the performance of their clients with the "control group" from the national level QPS and thus assess project impact. An MSU technical assistant hired under the GEMINI project established a reporting format for both EDT and ASSIST so that these institutions could collect quarterly gender-disaggregated impact data on microentrepreneurs at the enterprise level. Information was collected for only two quarters at EDT

and was never collected at ASSIST. Personnel and financial problems at EDT and ASSIST resulted in lack of personnel to implement the monitoring system. The Cooperative Agreement with EDT was terminated in October 1993. A monitoring specialist, financed by MDP, was appointed at ASSIST in November 1994. USAID assistance to ASSIST was suspended in September 1995 and ASSIST could not retain the monitoring specialist beyond August 1996.

#### VIII.C. Implementation and Dissemination of the Surveys

Implementation: The implementation of the surveys has been a learning experience for STATIN, UWI and donors. The 1996 National Survey improved sampling procedures as a result of lessons learned from the weaknesses of the 1992 survey. Several problems, including contract negotiations with USAID/Jamaica, violence in certain communities and sampling problems and data cleaning and processing problems led to delays in the 1996 National Survey. STATIN is technically capable of implementing a third National Survey with only limited technical assistance, however, funding constraints will require external support for implementation of a third round of the survey.

Dissemination: The results of the 1992 survey have been utilized by GOJ, donors and researchers on a regular basis. However, dissemination has been limited. Survey results are not published nor are they included in other STATIN publications. Policies for accessing raw data have not been established and documentation for data sets is not available. Lack of access policies and documentation will limit use of the data for research and policy analysis.

#### VIII.D. Policy Dialogue

In addition to the USAID funded surveys and studies, the MOU supported five Policy Studies. These studies focused on the dynamics of microenterprises, social relations in the micro-enterprise sector, gender issues, subsector linkages in agriculture and food processing and macro policies affecting technology, legislation and taxes in the small business sector. The policy studies were conducted by UWI/Institute for Social and Economic Studies and Center for Gender and Development Studies and funded by the GOJ/GON and UNIFEM. (See Annex 8 for a synopsis of the studies.) The policy studies were of varying quality, did not provide a picture of gender differentiated constraints, were not fully supported by data and did not provide clear recommendations for policy makers. Even though most of the policy studies were incomplete, the studies and survey results were presented at a conference in June 1993. The objective of the conference was to consolidate policy recommendations for the Office of the Prime Minister (OPM) and the Minister of Industry and Commerce. This was never accomplished, in part due to the departure of key people at OPM and the Ministry at the time.

Lobbying efforts by the MDP Project Manager during 1991-1992 resulted in removal of the interest rate ceilings for credit unions. Concerns over interest rate ceilings, successful credit, training and technical assistance strategies were discussed with donors and the GOJ at quarterly meetings. Since responsibility for the small and micro sector was transferred from the OPM to the Ministry of Industry, Investment and Commerce in 1994, USAID has continued to work with the GOJ/GON Project Management Unit and has not maintained consistent policy dialogue with the Ministry.

#### Conclusions

*With only US\$70,000, MDP successfully leveraged over US\$500,000 from other donors and the GOJ to implement surveys and studies which improved data collection, analysis and coordination of agencies involved in the microenterprise sector.*

USAID funded surveys increased the availability of reliable information about the microenterprise sector for the GOJ, donors, financial institutions and researchers. Hence, national planning capacity for the sector has improved.

Collaboration between MSU, UWI and STATIN was fruitful. MSU contributions on the dynamics of microenterprises broadened the knowledge base on the sector for Jamaican researchers and subsequently improved the national surveys.

There have been numerous delays in implementation of the National surveys; however, STATIN has developed its capacity to implement microenterprise surveys and has the capacity to conduct another round of the National Survey with limited technical assistance. Funding constraints would probably require donor support for implementation of another National Survey.

Dissemination of National Survey data has been limited. Policies on data access have not been established and further documentation of the data base is required.

#### VIII.E. Lessons Learned

Lesson: Support for the National Survey of Micro and Small Entrepreneurs, including support for survey implementation and analysis, is an effective way of increasing the knowledgebase on the sector. Adequate dissemination strategies are required to ensure that the survey data is utilized in policy making.

Lesson: Other information for policy making is required and funding of policy relevant studies can provide useful information. Experience with the implementation of studies through the Memorandum of Understanding indicates that clearly delineated contracting arrangements for project funded research are required; that international expertise may be needed to supplement local research capacity; and that collaboration with policy makers in the development of a final list of policy studies helps to ensure the policy relevance of the studies.

#### IX. Women and Development

In general, gender issues have been effectively incorporated at the design, appraisal, implementation and evaluation phases of the project. MDP's project manager had a key role in ensuring this success.

##### IX.A. Design and Appraisal

A gender disaggregated constraints analysis was not undertaken during the design phase, however, the Social Soundness Analysis (SSA) recognized that 66% of the unemployed were women, that their economic position was worse relative to that of men and that women represented a "large" percentage of existing and potential microentrepreneurs. The SSA projected that 2/3 of the project beneficiaries would be women. The design was influenced by WID resource materials on microenterprise development. The Project Paper Amendment stated that MDP was designed to address Jamaica's problems of unemployment and poverty with special attention given to women.

##### IX.B. Implementation

MDP was designed and implemented to enable high female participation. Lending criterion specified the following:

- \* Lending in participating institutions targeted businesses of 1-5 employees in manufacturing, trade and food processing. Even though no targets for females were set for the institutions, performance indicators for EDT and



ASSIST called for at least 90% of total loans to be at most J\$20,000 and J\$60,000, respectively.

- \* Loans were available for home-based businesses in need of short-term working capital. Loans were quickly processed and loan sizes were increased upon satisfactory repayment.

- \* Household appliances were accepted as collateral rather than traditional forms of collateral such as land titles. Signature of a guarantor was required only if the loan applicant did not have any form of "collateral". Character based lending was increasingly adopted by lending institutions.

- \* A large percentage of loan officers as well as managers in lending institutions were women.

- \* Deposit services were offered at Workers Bank. An estimated 70% of savers are women.

The MDP emphasized the collection and reporting of gender disaggregated data on loan disbursement and client training. When the data showed that the majority of the project beneficiaries were women, the original target of 40% was revised upward to 60% in March 1992. In September 1993, when the project was amended with increased funding, these targets were reset at 50/50% male/female participation.

Training programs could have been more gender sensitive. For example, the Trainer's Guide for the Training Program for Micro and Small Enterprise Finance Institutions did not explicitly point to gender differentiated constraints.

USAID funded surveys and studies contain gender disaggregated analysis. UNIFEM funded four gender studies through the Memorandum of Understanding. These were of varying quality and did not produce a picture of gender differentiated constraints and opportunities for the sector.

#### **IX.C. Evaluation**

Gender issues were appropriately incorporated in the evaluation phases of MDP. Both the mid-term and final evaluations had gender experts as team members.

#### **IX.D. Reaching the Female Entrepreneur**

MDP's outreach to women was successful. As of December 1996, a total of 1,573 (56%) loans were disbursed to female owned enterprises as compared to 1,217 (44%) to male owned enterprises. Approximately 62% of loan beneficiaries at EDT, 47.3% at ASSIST and 59.5% at Workers Bank have been female. As of March 1996, 2,767 (54%) female entrepreneurs were trained as compared to 2,336 (46%) males.

#### **Conclusions**

*Gender issues have been effectively incorporated in design, appraisal, implementation and evaluation phases of MDP.*

*An area of weakness throughout design and implementation has been the lack of information on gender-disaggregated constraints and opportunities in the microenterprise sector in Jamaica.*

*Over 50% of beneficiaries and participants under MDP have been women. Due to lack of impact monitoring systems in lending institutions, it is hard to make judgements on the real impact of MDP on the poor in general and women in particular.*

## **IX.E. Lessons Learned**

Lesson: Incorporation of gender issues in project design and in the development of lending criteria helps to ensure that project activities are successful in reaching the female entrepreneur.

Lesson: The lack of information on gender disaggregated constraints in the sector weakens project design and implementation.

## **X. Impacts of the Microenterprise Development Project**

### **X.A. Project Impact on Microentrepreneurs**

Participating lending institutions have generated little data to assess project impact. USAID provided reporting formats to EDT and ASSIST to collect impact information as part of their routine project monitoring activities. EDT collected information for two quarters; ASSIST for none. MDP provided operational support to ASSIST to hire staff to collect monitoring information. ASSIST could not retain the monitoring specialist after suspension of its Cooperative Agreement. Data that was collected by ASSIST was not organized or tabulated in any form to serve management needs or to evaluate project impacts. USAID assisted COK between March 1995-May 1996, however, impact information was not provided. Most aspects of the program were never effectively implemented. In order to avoid the problems faced by EDT and ASSIST in project management, data collection and analysis, USAID emphasized the importance of monitoring client information from the beginning of its Cooperative Agreement with Workers Bank.

Presented below is a summary of impact information collected on EDT during the mid-term evaluation as well as an analysis of data received from ASSIST and Workers Bank on a randomly selected sample of their repeat clients at the time of USAID assistance. Analysis of repeat borrowers does not assume that there has been no impact on one-time only clients. Profiles of successful clients at ASSIST and Workers Bank are presented in Annex 9.

EDT: Looking at the average loan size of J\$20,385, asset sizes of less than J\$20,000 for close to 50% of firms, employment levels of 5 or less for 97% of firms, and 62% of all loans going to female entrepreneurs, we can conclude that the majority of EDT's clients were from the poorer segments of the population. In early 1993, MSU analyzed the impact information collected by EDT. The analysis of 25 firms in EDT's portfolio at that time showed a 6.9% yearly rate of growth in sales, 10.8% growth in equity and 4.23% growth in salaries. EDT also claimed that 1,156 jobs were secured and/or sustained between August 1991 and March 1993 which were to be verified by the Quarterly Panel Surveys in 1993-94. Verification did not occur as the Cooperative Agreement was not renewed beyond October 1993.

ASSIST: On average, ASSIST borrowers are split between men and women who own and operate firms of up to 5 employees. Average loan size was between J\$25,000-30,000. About 63% of ASSIST borrowers are in rural areas. These characteristics indicate assistance to the poorer segments of the population. Although ASSIST has collected impact data at the enterprise level, there is no available information on household expenditures to determine impact at the household level.

The analysis of 20 randomly selected repeat loans (10M/10F) at ASSIST during the time of USAID assistance (1992-1995) points to positive impact on both men and women entrepreneurs. On average, firms had 30% or more increase in sales, 70% or more increase in income, and 17% or more increase in employment levels across sectors. Firms in manufacturing seem to have shown higher growth levels than firms engaged in trade. Male owned firms showed larger increases in sales (43.2% versus 30.4%), income (80.1% versus 72.8%) and employment (40% versus 17.2%) than their female owned counterparts. This difference can partially be explained by

the fact that female owned firms are smaller in size, are mostly engaged in trade and on average borrow smaller loans. Average original loan size for female borrowers was J\$21,500 as opposed to J\$32,300 for males. Similarly, the repeat average loan size for female borrowers was J\$26,100 as opposed to J\$48,600 for males. It is important to note that 60% of repeat loans were higher than the original loan amount which also indicates growth at the enterprise level. (Table 13) Although changes in asset base seem to be positive in both trade and manufacturing, information was not consistently available and the range is too wide to draw out meaningful averages.

This impact analysis should be interpreted with caution since a sample of 20 is too small to draw conclusions about impact on ASSIST borrowers. Further, ASSIST can not confirm whether these businesses are still in operation.

Table 13

Impact of ASSIST Loans  
20 Repeat Borrowers (1992-1995)

	Change in Sales	Change in Income	Change in Asset base	Change in Employment
<b>Gender:</b>				
Male-owned firms	43.2%	80.1% (102.2%)*	N.A.	40.0%
Female-owned firms	30.4% (57.4%)**	72.8%	N.A.	17.2%
<b>Sector:</b>				
Manufacturing	47 %	72% (101%)*	(15-463%)	61%
Trade	30.0%	71.0%	(0-7400%)	7.5%****

(\*) Average change in income for male owned firms is 102.2% if the 301% change is incorporated in a furniture and block manufacturing enterprise.

(\*\*) Average change in sales is 57.4% for female owned firms if the 300% change is incorporated in a poultry raising enterprise.

(\*\*\*) Average change in income for manufacturing enterprises is 101% if the 301% change is incorporated in a furniture and block manufacturing enterprise.

(\*\*\*\*) 9 out of 11 trading firms had no change in employment levels. One male owned firm had 33% increase and one female owned firm had 50% increase in employment levels.

**WORKERS BANK:** Since October 1996, borrowers have been 59% women/41% men with an average first loan size of J\$15,000. These are uncollateralized working capital loans ranging for 3-5 months provided mostly for service and retail businesses with 1-3 employees. Workers Bank collects enterprise information to assess impact, however, it is not entered into a database for analysis and management use. Technical assistance from the centrally funded AIMS project will design and monitor an impact monitoring system at Workers Bank starting in May 1997.

The analysis of 18 repeat loans (7 male and 11 female) awarded between October 1996 and March 1997 show some positive impact on sales and income of both male and female entrepreneurs. (Table 14) On average, sales increased by 25.5% for

female-owned enterprises and 11.0% for male-owned enterprises. Increases for female-owned enterprises (15.6%) were higher than for male-owned enterprises (13.5%). Since these businesses are still in their infant stage, it is not surprising to find that asset base and employment levels (even after the second loan) did not increase. In terms of sales and income, firms in retail trade seem to show better performance than those in services. The increase in sales for entrepreneurs in the service sector has been 7.09% as compared to 34.7% for entrepreneurs in retail trade. There has been mixed performance with respect to income which increased by 34.9% among retail traders as compared to a 7.0% among entrepreneurs in the service sector.

Average first loan size for female borrowers has been J\$16,136 as compared to J\$17,143 for males. Average repeat loan size is J\$26,818 for females and J\$28,571 for males. All repeat loans were larger than first loans. This is an early indication of enterprise growth.

Table 14  
Impact of Workers Bank Loans  
18 Repeat Borrowers (Oct.96-March97)

	Change in Sales	Change in Income	Change in Asset Base	Change in Employment
<b>Gender:</b>				
Male-owned firms	11.0%	13.5%	0%	0%
Female-owned firms	25.5%*	15.6%	0%**	0%***
<b>Sector:</b>				
Services	7.1%	-7.0%	0%	0%****
Retail Trade	34.7%*****	34.9%	0%**	0%

(\*) Average change in sales for female-owned firms is 57.7% if the 380% change is incorporated in a retail trade enterprise.

(\*\*) There is only one female owned enterprise in retail trade which has increased its asset base by 425%.

(\*\*\*) There is only one female owned enterprise in services that has increased its employment level from 1 to 2 employees.

(\*\*\*\*) Average change in sales for enterprises in retail trade would be 84% if the 380% change in one enterprise is incorporated.

#### X.B. Project Impact on the Mission's Strategic Objectives

USAID/Jamaica's Strategic Objective One (SO1) is to increase participation for economic growth. MDP contributes to Proposed Intermediate Results 1.1, Increased Economic Opportunities for the Poor, through improved access to financial services to microentrepreneurs, especially women and disadvantaged in "non-urban" areas. As of December 1996, 2,790 microenterprises received credit from project assisted agencies of which 56% were women owned firms with less than 5 employees and average loan sizes of J\$20,000-30,000; 4,669 jobs were created/strengthened in assisted microenterprises; 5,103 microentrepreneurs received training from project assisted agencies of which 54% were women. (Table 15)

Table 15

## Accomplishments on Major Outputs

Major Outputs (see notes for changes)	M/F	3/92	3/93	3/94	3/95	3/96	12/96
1. 1500 micro firms started (>9/93:6000)	900M 600F	66M 128F	345M 457F	793M 1031F	1016M 1315F	1044M 1372F	1044M 1372F
2. 2500 Loans Disbursed (>9/93: 12,000)	1500M 1000F	81M 160F	398M 547F	884M 1158F	1107M 1442F	1178M 1521F	1217M1 573F
3. 750 micro entrepreneur trained (>9/93:8000)	450M 300F	125M 240F	1187M 1345F	2177M 2434F	2326M 2571F	2336M 2767F	2336M 2767F
4. 3500 new jobs created strengthened (>9/93:6000)	M/F N.A.	485	1872	3910	4587	4669	4669
MDP ASSISTED AGENCIES AT THESE PERIODS		EDT	EDT ASSIST	EDT ASSIST	ASSIST	ASSIST COK	WORKER S BANK

Source: USAID/Jamaica Project Files

## Notes:

1. 3/92: gender targets were reversed due to performance from original 60/40 (M/F) to 40/60 (M/F). 9/93: gender targets were changed again to 50/50 M/F.
2. 3/92 training targets were doubled from 750 to 1500 microentrepreneurs. 9/93: training targets were increased up to 8000 (4000M/4000F)
3. 9/93 all targets were changed as a result of the project extension with additional funding.

Conclusions

MDP has been partially successful in increasing economic opportunities for the poor, especially women in both urban and rural areas. APPLE anti-poverty funds have not been disbursed. As a result, outreach to the poor has not as extensive as would of occurred had APPLE funds been utilized.

EDT and ASSIST loan portfolios were smaller than projected and substantially non-performing. Business failure may be a prominent factor in high delinquency rates. It is reasonable to assume that the implied project objective of improving the productivity and profitability of micro businesses was not fully achieved. Early indications are that the pilot Workers Bank program is having a positive impact on its target population.

## X.C AIMS: Improving Impact Analysis

In October 1996, USAID/Jamaica negotiated a buy-in to the centrally funded AIMS project (Assessing Impact for Microenterprise Services). Due to delay, the contract was not approved until February 1997. Technical assistance under AIMS will begin on May 5, 1997. The purpose of this technical assistance is to assess the impact data currently being collected by Workers Bank; identify impact variables that should be included in the monitoring system; develop and test the monitoring system; review the effectiveness of the impact monitoring system at quarterly intervals; and analyze the impact data 12-18 months after establishment of the Management Information System. AIMS represents a comprehensive approach which includes monitoring data at the enterprise, household, individual and community levels. Its starting point is the household and it allows examination of project impact on microenterprises, household economic security and economic growth. (See Annex 10 for an assessment of the AIMS methodology)

## XI. Recommendations

### XI.A. Extension of the Project

Based on the findings of this evaluation, extension of the Microenterprise Development Project is warranted. The evaluation teams recommends extension of the project through the Year 2000.

### XI.B. Continued Programming With Workers Bank

Negotiating Cooperative Agreements: It is recommended that agreements be negotiated with Workers Bank to extend the current Cooperative Agreement through September 1997 and provide continued AID operational support through the Year 2000. Projections developed by technical advisors indicate that the program will have achieved acceptable levels of efficiency and profitability by the Year 2000. Extension of the Cooperative Agreement to September 30, 1997 should require no additional funding; allowing for line item adjustments, balances in the current budget are projected to satisfy expenses. The new Cooperative Agreement should provide for operational support, training, technical assistance and auditing. Further analysis will be necessary to determine the specific level of financial support required by the program. Current projections indicate that costs will approach US \$ 1.5 million. It is anticipated that the Workers Bank Post Office Division will generate a savings deposit base which will support projected lending levels. To maintain an anti-poverty focus to the project, the Mission and Workers Bank should revisit the issue of the use of APPLE funds.

During the period of extension under the current Cooperative Agreement, extensive dialogue should be held to ensure that Workers Bank managers are fully aware of and committed to project lending methodology and expectations relative to program productivity and indicators of satisfactory implementation

AID should condition the new Cooperative Agreement with Workers Bank on a requirement for thorough examination of the bank's circumstances and the development of a strategy for any necessary remedial attention. The examination should be comprehensive, focusing on the overall financial health of the institution. Particular attention should be given to the relationship between MDP related activity and general Workers Bank circumstances. The Mission should be prepared to provide the bank with technical support as necessary for the examination and any remedial intervention that may be determined necessary. The requirements for analysis and strategy development need not be established as conditions precedent to signing the new Cooperative Agreement; they should however, be strategically linked to key disbursements under the new agreement.

Portfolio Growth: The mission should insist on strategic loan program growth to ensure that the lending model and project management capabilities are adequately developed. Project managers should avoid pressures to accelerate program growth beyond strategically planned rates. Significant changes in projected growth strategies should require Mission consent in consultation with technical advisors.

The Workers Bank program was slow starting. Considerable time lapsed before the program model was developed and agreed upon, and staff recruiting took longer than anticipated. The development of policies, procedures and related documents also delayed the beginning of program lending. In spite of the slippage, lending is developing at a pace similar to what was originally anticipated. The time that was invested in selecting and preparing staff and systems development is expected to improve program management in the long term. Projections developed in early 1997 are currently being updated to incorporate early program experiences and reflect realistic program expansion beyond the pilot areas. Table 16 displays current recommendations by technical advisors for Workers Bank MDP growth.

Table 16  
Technical Advisor Recommendations for Workers bank MDP Growth

Program Growth Targets	By 12/97	By 12/98	By 12/99	By 12/00
Total # Post Office Clusters **	12	40	40	40
Total # of Partner Bankers	36	120	120	120
Average Loan Size	J\$ 20,000	J\$ 24,000	J\$ 30,000	J\$ 34,000
Net Loan Portfolio	J\$ 33 million	J\$ 208 million	J\$437 million	J\$464 million

\*\*Clusters generally consist of 5 post offices served by one mail truck routing.

Management of the Workers Bank Program: Continued programming under the MDP credit component will require increased investment in management and technical support staff. The technical advisor has recommended that the developmental phases of the Workers Bank program be supported with a management team that would work within the bank and would include an operations director and two support staff. He also recommends the development of a "roll-out team", including a leader and two assistants, that would be responsible for on-going monitoring and financial analysis. Specific requirements for short-term technical assistance must be determined. The advisor's recommendations for short-term technical assistance includes three weeks per year in each of three areas of expertise, including: loan methodology and business risk assessment; internal control, management information systems and fraud control; and overall performance evaluation.

The evaluation team recommends that the human resource requirements of MDP implementation be thoroughly assessed by the project design team. It is expected that the Workers Bank Program will require a program manager within the Workers Bank organization supported by three or more assistants.

Clearly, unusually high levels of management support and technical assistance are being recommended for the Workers Bank program. The evaluation team supports this recommendation. Justification for the recommendations is based on the experimental nature of the methodology in the Jamaican setting, the relatively high risk - high gain character of the effort, and the history of failed initiatives. It should be noted that the recommended intensity of management

attention is intended to support the Workers Bank program only through its developmental stages.

#### **XI.C. Additions/Alternatives to Workers Bank for MDP Credit Component Implementation**

Successful implementation of the Workers Bank program will provide the project with country-wide coverage. None-the-less, and in spite of experiences with EDT, ASSIST and COK, the Mission may wish to search for other entities that could be interested in and suitable for MDP credit service delivery. However, as the Mission considers seeking alternatives/additions to Workers Banks, it should be aware that other international lending and donor agencies are currently supporting projects that are strengthening microenterprise lending institutions. (Annex 11) The mission should consider whether another microfinance institution is warranted, given the spectrum of existing institutions, the size of the potential client base, required inputs and other donor initiatives.

#### **XI.D. Implementation of MDP**

Lessons learned from the implementation of the Workers Bank program should be applied to alternatives/additions to Workers Bank if any are brought into the project. Technical assistance will be required on an on-going basis and should be designed to match the developmental time line of the lending institutions.

Lack of understanding of and support for minimalist credit strategies among key decision makers within Government and in the lending institutions reduced the overall impact of technical assistance and training provided through the project. Technical assistance, directed to decision makers in Government and in participating institutions, is recommended. Experience to date with Workers Bank indicates that this has been effective but that ongoing dialogue is required to ensure continued commitment to minimalist lending.

Reliance on centrally funded projects has resulted in implementation delays and has lessened the control that the Mission has had on the management of technical assistance. The evaluation team recognizes that the Mission has little control over implementation of centrally funded projects. However, every effort should be made to maximize coordination of centrally funded projects and synchronization with other project inputs.

Project management has suffered as a result of the frequently conflicting demands from the different roles assumed by the previous Project Manager. Separation of functions; i.e.; assignment of a Project Officer and a Project Manager is recommended.

Significant investments in project management are required for complex projects such as MDP. The evaluation team recommends that the Mission procure a competitively selected institutional contractor to be the lead implementing entity under the project. The contractor's primary responsibility will be to provide all project inputs. The contractor will utilize the resources provided by centrally funded projects, as appropriate.

#### **XI.E. Training for Institutional Strengthening**

Study tours to examine implementation of minimalist lending strategies in other countries and participation in international conferences proved to be effective methods of promoting support for minimalist lending in Jamaica. Additional study tours and conferences for policy makers in Government and in participating lending institutions is recommended.



The Micro and Small Enterprise Training Program, offered in conjunction with UTECH and co-funded by other donors met short-term objectives. Continued MDP support for this type of training is not indicated. In-house training at Workers Bank has been successful and should be continued. If other lending institutions participate in the MDP in the future, in-house training should be implemented.

#### XI.F. Entrepreneurial Training

International experience suggests that close linkage between entrepreneurial training and credit programming jeopardizes credit delivery efficiency. Furthermore, there is no evidence that MDP supported entrepreneurial training provided by participating lending institutions was effective. Therefore, it is recommended that participating lending institutions not be utilized as providers of entrepreneurial training.

The project has supported efforts by Jamaican organizations to provide marketing, technology, management and production advice to microentrepreneurs. Pilot training initiatives, including production of training videos, represent promising models for the provision of entrepreneur training and should be continued.

No organized plan to generate proposals for pilot training initiatives has been implemented. In spite of this, six unsolicited proposals to develop non-credit assistance programs for microentrepreneurs were submitted in 1996. Four of these merit further consideration. Funding of proposals is more likely to result in demand driven and geographically dispersed training. Future funding for appropriate proposals for provision of microenterprise support services; e.g., marketing, technology, management, training and other services, is recommended.

#### XI.G. Information and Research

To date, two National Surveys have been implemented with MDP support. These have provided useful information. Support for a third National Survey is recommended. To maximize the impact of the National Survey, increased efforts to disseminate study findings among policy makers will be required. In order to promote the use of the data sets by researchers, policies on access to raw data and documentation of data sets are required.

Additional information to inform policy making and the design of training initiatives is required. Support for subsector analysis, research on group lending experiences in Jamaica, gender-differentiated constraints and opportunities in the microenterprise sector and the impact of structural adjustment on the dimensions and character of the microenterprise sector is recommended. International technical assistance will be required to supplement local research capacity.

#### XI.H. Women in Development

An in-depth study of gender differentiated constraints and opportunities in the microenterprise sector should be conducted. The study should identify promising subsectors in which women do not ordinarily participate but which offer potential for increased participation by women; e.g. construction. Study findings will be useful for policy makers and can also be incorporated in entrepreneurial training programs.

All routine loan portfolio management systems and impact monitoring systems should collect gender disaggregated data.

Annex 1

Scopes of Work of Evaluation Team Members

**SCOPE OF WORK**  
**EVALUATION OF TRAINING AND POLICY ASPECTS OF USAID/JAMAICA'S**  
**MICROENTERPRISE DEVELOPMENT PROJECT**

**I. BACKGROUND**

**A. Summary**

The Microenterprise Development Project (MDP) was signed in August 1990 for a planned four-year life-of-project with a funding level of US\$2 million. A mid-term evaluation of the project was done in May 1993. Arising from recommendations of the evaluation, the Project was extended to September 1997 and the level of funding increased to US\$5,000,000. A significant downturn in the Jamaican economy and problems with many implementing agencies have slowed the progress of the Project and contributed to a large pipeline of unexpended funds. With this in mind, the Mission is in the process of reviewing progress to date and is considering extending the Project by three years to the year 2000 to utilize unexpended funds and look at new activities.

The goal of the project is to increase employment opportunities for the entrepreneurial poor in Jamaica thereby increasing their income and improving their quality of life. To achieve this goal the MDP has provided operational and credit support to two NGO's, a Credit Union and a Commercial Bank. Subsequent to the evaluation in 1993, support has also been provided to other organizations and institutions in the form of training and technical assistance. A Project Monitoring Unit was set up to direct the activities of the project and a Project Assistant and Financial Institutional Specialist hired to provide support to the Project Manager.

USAID/Jamaica would now like to undertake an evaluation of MDP in order to determine its future direction. This team will focus on the overall project with particular emphasis on reviewing training, technical assistance, and policy implications. It is expected that the deliverable under this scope of work will also include the report prepared by the credit expert, a concept paper for the follow-on project, and the terms of reference for a design team to follow this effort.

## **B. Project Components**

### **1. Non-Credit Assistance**

The needs to address technical assistance and training are closely linked to the development of microbusinesses under the credit component. The link between credit and the need to provide technical assistance to microenterprises has been a concern for many of the providers of credit. In order to address some of these needs, the project supported two NGOs who provided credit and training to thousands of microentrepreneurs between 1991-1996. The project provided a grant to the National Development Foundation of Jamaica's Technical Services and Training Division to set up a computer training center for small and microbusinesses. A contract was also negotiated under a USAID/Washington IQC, Microserve, to develop four pilot training videos to document the best practices of successful microenterprises in Jamaica. The videos were designed to be sector specific and focus on overcoming specific problems for existing enterprises. It was felt that this unique approach could be built on to develop more low cost training videos which could be used by training programs linked to credit institutions all over Jamaica with little additional costs.

The project has also been requested to assist with numerous training efforts so as to strengthen microenterprises from both credit institutions and training centers. Several of the microfinance NGOs attempted to provide both credit and technical assistance to clients. The high cost of providing training and credit contributed to high operating costs that ultimately contributed to the collapse of many institutions. Following USAID/Washington guidelines the project is now looking to address training needs by an umbrella approach that will encompass many of the proposed interventions, but on a much larger scale.

### **2. Research and policy Reform**

MDP has also worked on improving the knowledge base on microenterprises in Jamaica and fostered policy reforms that would facilitate the expansion of credit and the growth of the sector in general. USAID entered into a memorandum of understanding (MOU) with the Government of Jamaica (GOJ), the Government of the Netherlands and the

United Nations Development Fund for Women (UNIFEM) to improve macro-policies for the micro and small enterprise sector through a process of dialogue. This MOU involved carrying out studies of the policy environment; improving the national planning capacity for the sector by strengthening data collection; reporting and coordinating of involved agencies; including the collection of national statistical data on the sector; improving the understanding of the constraints faced by women-owned microenterprises. To date, the Statistical Institute of Jamaica has conducted two detailed national surveys on the micro and small enterprise sub-sectors and administered a two-year quarterly survey along with Michigan State University under the GEMINI Project, a USAID/Washington Buy-In Contract. A dynamics study updating the 1979/80 University of the West Indies/Michigan State University (UWI/MSU) sample survey of small and micro enterprises was conducted during 1992. Several other studies coordinated by UWI were also completed.

### 3. Other Factors

The following other important factors to be considered in the evaluation of the project include:

a. **World Bank's Proposed Microbusiness Project:** An additional factor that could have significant impact on the Jamaican small and microenterprise sector and USAID/Jamaica's MDP is the proposed Microbusiness Project being planned by the World Bank.

b. **Other Donors:** The Government of Jamaica, the Government of the Netherlands (GON), the German Development Agency (GTZ), the Canadian International Development Agency (CIDA), the InterAmerican Development Bank, and the European Economic Community (EEC) among others all have programs geared towards the microenterprise sub-sector in Jamaica. Evaluate the project's ability to leverage additional resources and compliment other donor programs in the country.

c. **Impact on the Poor:** The microenterprise sector is the principal source of

employment of the unskilled and economically disadvantaged in Jamaica. In addition, the sector provides employment for a large number of poor and unskilled women. Women account for approximately half of the microenterprise owner/operators and about 40% of the employees of microenterprises in Jamaica. They also generally have fewer assets and because of their inability to provide collateral have unequal access to resources. Therefore, the Microenterprise Development Project has the potential to play a large role in providing credit and non-credit assistance to a large number of the unemployed or underemployed, and in so doing, advances the goal of contributing to poverty alleviation by increasing employment of urban and rural entrepreneurs, as well as encouraging indigenous investment.

## **II. OBJECTIVES**

The objectives of this evaluation are to evaluate and analyze non-credit assistance and progress to date vis a vis the project paper log frame, and make specific recommendations for the design and scope of future and recommended follow-on project activities.

Responsibilities of the contracting team include:

- Assess progress and impact to date of the training and technical support provided by EDT and ASSIST to microenterprise clients based on the objectives laid out in the MDP project paper supplement;
- Analyze the impact of providing technical assistance and training support to microenterprise lending agencies under the GEMINI Project and with training at University of Technology (formerly CAST);
- Assess the methodology in developing an updated baseline of microenterprise information and the studies conducted to track trends in the sector;
- Assess studies conducted to better inform policy makers about the micro and small enterprise sector

- Prepare a concept paper for follow-on activities within the microenterprise sector to be implemented over the next three years utilizing all pipeline resources.
- Based on the concept paper, prepare a scope of work for a design team to follow this evaluation and develop specific interventions in the areas of training and technical assistance.

The evaluation will also measure the contribution of the various credit and non-credit activities to the Mission's strategic objective of increased participation for economic growth and in particular to the Mission's intermediate objective of increased economic opportunities for the poor. In addition, the evaluation will want to assess the project's effectiveness in reaching both male and female entrepreneurs, particularly the impact of credit and non-credit assistance on the improvement in the economic status of borrowers, income levels and repeat borrowing among microentrepreneurs. The evaluators will also provide recommendations for follow-up actions and activities to be included in the extension of this project.

This evaluation assess the impact and utility of present training and technical assistance being offered. The contractors will also assess the impact of other donors' activities on the Microenterprise Development Project. Corrective actions, as necessary, will be recommended.

The contractor will review all relevant material pertaining to the MDP project (PP, Cooperative Agreements, MOUs, PILs, correspondence, Mission Strategy R4 document, etc.) and meet with representatives of all implementing agencies so as to become fully familiar with the overall project strategy and project components.

The contractor will then specifically examine, and address the following:

**A. Project Implementation**

- 1) Prepare an analysis of the different approaches to providing technical assistance and training to EDT, ASSIST, COK, and Workers Bank. Assess the strengths and weaknesses.
- 2) Review the microfinance training program developed by GEMINI and implemented in conjunction with other donor agencies at the University of Technology.
- 3) Identify significant problems or constraints which may inhibit attainment of providing technical assistance to Workers Bank and propose methods for resolving them.
- 4) Review and analyze the financial pipeline of the project and analyze why disbursements have been slow.

#### **B. Training**

- 1) Based on changes that have taken place within the economy over the past four years and the significant downsizing of the private sector there is a growing interest in developing and expanding training programs for persons involved in or interested in entrepreneurship. This has also been an observation made by all the microfinance institutions currently providing credit to the sector. In response to these requests, the Mission has begun to provide support to several pilot initiatives to encourage the growth of Jamaican microentrepreneurs. These include providing operational support to the EDT and ASSIST (whose staff trained businesses as well as provided credit), the East Westmoreland Craft Producers Association, the development of training videos to be used for low-cost training, and the support of computer equipment to encourage business computer skills training at NDFJ. Assess the Mission supported training efforts in terms of focus, impact, and how these efforts supported the Mission's Intermediate Results Package and the targeted beneficiaries.

#### **C. Research and Policy Reform**

- 1) Assess the impact of the Project on the Government of Jamaica's microenterprise policy.



2) Review the research work prepared under the auspices of the Statistical Institute of Jamaica including the National Survey on the micro and small enterprise sector, the dynamics study updating the 1979/80 UWI/MSU survey of small and microenterprises, the 1993-94 Panel Survey, and the 1996 updated National Survey on the sector.

3) Review the methodology planned to evaluate the projects impact on the productive, economic and employment growth of assisted firms under the upcoming Assessing Impact for Microenterprise Services (AIMS) contract.

**D. Other Evaluation Factors**

1) Using available information from repeat clients in ASSIST's files and several repeat clients of Workers Bank's Partner Early Draw, assess the project's impact on both men and women entrepreneurs, particularly the impact of credit on the improved economic status of borrowers: including improvement in sales, asset base, employment, and net income.

2) Identify at least three people-level success stories which may be used in publicizing project success.

3) Discuss the impact of other donor activities being and/or planned to be implemented for the microenterprise sub-sector. These would include efforts by the European Economic Community (EEC), the Inter American Development Bank (IDB), the Government of Jamaica, the Government of the Netherlands (GON/GOJ Microenterprise Project), Microenterprise Investment Development Agency (MIDA), the Canadian International Development Agency (CIDA), the German Development Agency (GTZ), and the World Bank. Analyze the potential to continue to leverage USAID resources and compliment other programs in the field.

**4) Women in Development (WID) Issues**

A) Design, Appraisal and Implementation

- 1) How were the interests and role of women (compared to men) taken into account in the project as it relates to credit and technical assistance?
- 2) In what ways did women (compared to men) participate in these processes?

#### **E. CONCEPT PAPER**

The team will provide a concept paper which will examine the need to provide technical assistance to clients of the various microfinance institutions; identify opportunities to expand technical assistance; assess the ability of various training programs to be effective providers of technical support to clients in the microenterprise sector; and include the recommendations of the credit expert for follow-on activities in the area of the credit element of the Project. Included in this report should be the following:

- 1) Making specific recommendations for the design of an umbrella approach to providing support to training institutions (community colleges, NGOs, vocational training centers, HEART, etc) all across the island using one of the two major Universities to develop and distribute low cost practical training courses (such as the videos prepared under the Project under the pilot training program). Discuss implications for project management and provide recommendations on how to best structure implementation under the extension of the Project.
- 2) Recommend revisions to the project as appropriate to deal with problems and issues covered in the evaluation.
  - A) The need for revised project activities and results indicators
  - B) Relations to other Donor Activities
  - C) Support of USAID Strategic Objectives/R4
  - D) Analysis of technical, financial, and administrative feasibility of proposed changes.

- 3) Credit export's recommendations for follow-on activities.

### III. PERSONNEL

The evaluation will be conducted by a team consisting of two persons. Both persons should have at least five years work experience in developing countries, with previous work experience within the Caribbean preferred. Both persons should have experience in the evaluation and design of microenterprise programs.

A) Training & Technical Assistance Expert: The evaluation team will be lead by a senior expert skilled in project evaluation of training programs (preferably in the Caribbean) and the training needs of small and microenterprises. This person should have a broad vision of the issues and constraints affecting microenterprises, and should have significant work experience in policy development. He/she will be responsible for putting together the report and debriefing the Mission. (Estimated number of days required: 40).

B) Policy and WID Expert: This person should have at least three years of experience designing and evaluating small or microenterprise development projects with particular emphasis in the areas of gender and policy development. He/she will also review and evaluate the Mission's efforts to improve the knowledge base on microenterprises and foster policy reforms.(Estimated number of days required: 18).

### IV. REPORTS AND SCHEDULE

#### A. Reports

##### 1) Final Report

The evaluation findings should be based on empirical results whenever possible, and all opinions and recommendations should be justified based on a rational evaluation of the facts involved. The team will have access to all records kept on the project by USAID and all project element counterparts and implementors.

The final report should contain at a minimum the following sections:

Executive Summary

Table of Contents

Body of Report

Appendices

Project Evaluation Summary Report

The body of the report should contain sections on (1) the purpose of the evaluation; (2) the economic, political, and social context of the project; (3) team composition and study methods; (4) evidence/findings of the study concerning the evaluation's questions/issues; (5) conclusions and recommendations based on the findings. The main report should not exceed 30 pages, excluding/appendices and must include the report of a credit evaluation which is being conducted at the same time.

2) Concept Paper

The team will provide a concept paper which will propose follow-on activities as to the Mission from among the areas of credit, technical assistance, and training.

3) Scope of Work for Design Team

A scope of work will be provided to the Mission for a Design Team who will develop a project paper supplement based on the above mentioned concept paper. The scope of work will be drafted using the following format:

- ✓ I. Background and Objectives
- ✓ II. Tasks
- ✓ III. Reports and Deliverables
- ✓ IV. Personnel
- V. Reporting Requirements
- VI. Logistics
- ✓ VII. Level of Effort
- VIII. Budget

The section entitled Reports and Deliverables will include the preparation of:

- 1) Revised Project Rationale and Description
- 2) Extended Project
  - A) Need to revise project outputs
  - B) Relations with other Donor efforts
  - C) Support to USAID Strategic Objectives and Results Packages
  - D) Analysis of technical and administrative feasibility of proposed changes
- 3) Revised Project Budget and Financial Plan
- 4) Revised Implementation Plan
- 5) Proposed make-up of Mission Management Team and Project Management Unit
- 6) Annexes as required

## **B. Schedule**

**March 14:** The team will present a written work plan for approval of USAID/Jamaica to present methodology, interview schedules and work activities to clarify outstanding/special issues relative to the Scope of Work.

**March 19:** The team will make an oral presentation on the mid-term evaluation findings to Mission staff.

**April 14:** Present the Mission with a draft report of the consultancy which will include the evaluation, concept paper, and scope of work.

**April 18:** A debriefing session will be held with USAID personnel to discuss comments which will then be incorporated into the final report.

**April 25:** Ten copies of the final report must be submitted to USAID/Jamaica.

**B. Project Components and other Evaluation Issues**

**1. Credit Component**

Under the extended project one Cooperative Agreement was extended and two others signed.

**a) ASSIST Ltd**

Based on recommendations of the mid-term evaluation, the Cooperative Agreement with ASSIST Ltd was extended in August 1993 for 3 years with increased level of funding. Due to ASSIST's inability to lower delinquency levels, the cooperative agreement was suspended in 1995 and ASSIST was given time to address certain management issues. After many attempts to overcome their problems, USAID/Jamaica agreed to allow the Agreement to expire in March 1997.

**b) City of Kingston Cooperative Credit Union**

A Cooperative Agreement with City of Kingston Cooperative Credit Union (COK) was signed in February 1995 to provide assistance in developing their microenterprise program. The Agreement was for a period of 2 1/2 years with level of funding of \$264,094. Technical assistance and training was provided to COK staff in microenterprise lending strategies and in developing a strategic plan. In April 1996, after a review of the COK program, recommendations were made to streamline the microenterprise credit window. COK advised the Mission that they were unable to continue with the program as they were not in a position to implement the recommendations. The Agreement was terminated for convenience in January 1997.

**c) Workers Bank**

The Project signed a Cooperative Agreement with Workers Bank in February 1995 to assist the Bank to develop and implement a microenterprise lending program utilizing the post office network. The Agreement which provides level of support of \$330,687 ends in 1997. Under the agreement the MDP has

provided support to Workers Bank to assist in developing systems and operating procedures to be used by the Post Office Division of the Bank. So far this program has gone well and the Mission is considering extending support to the bank.

d) **EDT**

USAID's grant to EDT was aimed at increasing its capacity to provide business and financial services to microenterprise clients and microenterprise promotion organizations. Funds were provided to capitalize a revolving loan fund, reimburse a percentage of operating costs, finance technical assistance and system development costs, and purchase office equipment.

MEDA was to provide overall program direction, review program performance, and upgrade EDT's ability to institute new programs and procedures to improve program efficiency, effectiveness and sustainability. Shortly after the evaluation in 1993, EDT was given a timeline to address a series of problems raised during the midterm evaluation and a follow-up visit by MEDA consultants. EDT was given time to address certain management issues which were never corrected. The cooperative agreement came to an end in October 1993 and was not extended.

## **II. OBJECTIVES**

The objectives of this evaluation are to evaluate and analyze project impact and progress to date, and make specific recommendations for the design and scope of the future and follow-on project activities. Responsibilities include:

- Assessing progress to date for the credit component based on the objectives laid out in the MDP project paper supplement;
- Analyzing the capacity of the Jamaican microenterprise assistance agencies to provide credit on a self-sustaining basis;

- Assessing the results of the projects support for "mini-micro" lending (US\$300) as a tool for poverty alleviation.

The technical advisor will also provide recommendations for follow-up actions and activities to be included in the extension of the credit component of this project.

This evaluation will ascertain the progress of the project in meeting project objectives under the credit component; identify significant problem areas or constraints which may inhibit such attainment; assess participating organizations' effectiveness; and assess the utility of technical assistance being offered. Corrective actions and follow-on activities will be recommended.

The contractor will review all relevant material pertaining to the MDP project (PP, Cooperative Agreements, MOUs, PILs, correspondence, R4, etc.) and meet with representatives of all implementing agencies so as to become fully familiar with the strategy of the credit component.

The contractor will then specifically examine, and address the following:

**A. Project Implementation**

- 1) Ascertain the overall progress in meeting objectives of the credit component. Prepare an analysis of credit element highlighting strengths and weaknesses, assessing the ways and extent to which the element has alleviated constraints to the development of microenterprises in Jamaica, and provide specific suggestions on ways to improve the credit element's contributions towards meeting the project's goals and the Mission's overall objective of increased participation for economic growth.
- 2) Identify significant problems or constraints which may inhibit attainment of credit component and propose methods for resolving them.
- 3) Assess participating organizations' effectiveness in carrying out program objectives.



## **B. Credit Component**

- 1) In conjunction with the evaluation team determine the extent to which workshops, seminars and other promotional work have established a cadre of well-informed practitioners in microenterprise financing strategies. Suggest specific measures which may be taken to foster improved technical assistance in the area of microfinance strategies.
- 2) Determine the extent to which the project has established working relationships with promising programs which are likely to expand and grow. Recommend steps which can be taken to facilitate their development.
- 3) Assess to what extent participating organizations have mobilized resources in addition to AID's project resources.
- 4) Determine the extent to which the prospect for self-sufficient lending programs have been improved with specific regard to Workers Bank's Microenterprise Unit and make specific recommendations regarding the possible extension of the cooperative agreement between USAID and the bank.

## **C. Other Assessment Factors**

- 1) Identify the steps which should be taken to make the available funding more productive and beneficial to the sector and the institutions which support it.
- 2) Recommend revisions to the project as appropriate to deal with problems and issues covered in the assessment.

## **III. PERSONNEL**

The assessment of the credit component will be conducted by an expert in evaluation of microenterprise finance projects. Previous work experience in Jamaica with the microenterprise sector would be beneficial. This person should have at least three years of small or microenterprise development experience, and some experience with project evaluation. He/she will assess the project activities relating to microenterprise credit and

will review follow-on support to Workers Bank. (Estimated number of days required: 25).

## V. REPORTS AND DELIVERABLES

The assessment findings should be based on empirical results whenever possible, and all opinions and recommendations should be justified based on a rational assessment of the facts involved.

The report should contain at a minimum the following sections:

- (1) the purpose of the assessment;
- (2) evidence/findings of the study concerning the evaluation's questions/issues;
- (3) conclusions and recommendations based on the findings.
- (4) an appendix outlining the recommendations for the follow-on activities in the area of the credit component of the Project with particular emphasis on the Cooperative Agreement with Workers Bank.

The contractor will make an oral presentation on his/her findings to Mission staff at the end of the first week in country and present the Mission with a draft report so that it may be included in the overall evaluation report to be submitted to the Mission on April 11th. The contractor will be required to return to Jamaica to be involved in the debriefing session on April 18th and to assist the evaluation team in preparing and submitting a final report on April 25th.

Annex 2

Documents Consulted

#### Documents Consulted

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- McFarlane, Carmen. 1996 Updated Jamaican Microenterprise Survey, Preliminary Tables, March 1997.
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Thomas, H. and Shirley, G. Clustering, Networking and Linkages in Agriculture and  
Food Processing Industries, June 1993.

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Witter, Michael. A Dynamic Study of Mini-Enterprises in Kingston, Jamaica, June  
1993.

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World Bank. Jamaica Achieving Macro-Stability and Removing Constraints on Growth:  
Country Economic Memorandum, 1996.

Annex 3

List of Agencies and Individuals Contacted

List of Agencies and Individuals Contacted<sup>1</sup>

ASSIST

Franzia Edwards, Executive Director  
Jennifer Stewart, Credit Officer  
John Graham, Credit Officer  
Cleon Haughton, Area Manager  
Errol Roman, Credit Officer  
Clients (names confidential)

Canadian High Commission/Canadian International Development Agency

Murray Kam, First Secretary  
Steve Weaver, Analyst

City of Kingston Credit Union

Aloun Nyombet-Assamba, General Manager  
Kenarthur Mitchell, Deputy General Manager  
Leroy Reynolds, Deputy General Manager

Council of Community Colleges

Shirley Whyllie, Secretary and Principal of Portmore Community College

East Westmoreland Craft Producers Association

28 Clients (names confidential)

EDT

Audley Walker, General Manager  
U.J. Daley, Board Member  
Florette Blackwood, Former General Manager

European Union

Jacques Favre, First Secretary

German Agency for Technical Cooperation (GTZ)

Paul Volker, Consultant

GOJ/EU Microenterprise Project Management Unit

Asquith Brown, Accountant

GOJ/GON Microenterprise Project Management Unit

Berris Morrison, Project Manager  
Huib Poot, Consultant

HEART/NTA

Robert Gregory, Executive Director  
Kenneth Morrison, Sector Specialist

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<sup>1</sup> \* indicates telephone interview

Inter-American Development Bank

Sharon Miller, Program Officer

JAMPRO

Neville Madden, Marketing Executive, Small Business Department  
Lois Robinson, Director, Mandeville Office  
Joanne Perault, Peace Corp Volunteer

Ministry of Industry, Investment and Commerce

Hon. Phillip Paulwell, Minister of State  
Reginald Budhan, Director of Policy and Projects  
Charles Jones, Director of Human Resources and Administration

National Development Foundation of Jamaica

Billy Heaven, Executive Director \*

Paul Chen Young and Associates

Maureen Webber, President/Coordinator

Small Business Association of Jamaica

Albert Gray, Director

Statistical Institute of Jamaica

Isbeth Bernard, Director of Surveys  
Sophia Barton-Bucknor, Statistician  
Marlin Brown, Statistician  
Carmen McFarlene, Consultant

University of Technology, Entrepreneurial Extension Center

Sandra Glasgow, Manager  
Maxine Anderson, Training Coordinator

University of the West Indies

Patricia Anderson, Senior Lecturer, Faculty of Social Sciences  
Helen McBain, Senior Lecturer, ISER  
Judy Tavaris, Administrative Manager, ISER

USAID/Jamaica

Office of Economic Development

Hasan Hasan, Acting Director  
John Owens, Former Project Manager, MDP  
Valeria Tate, Project Assistant, MDP  
Doreen Cox, Financial Institutions Specialist  
George Smart, Acting Project Officer, MDP  
Claudia Hunter, Program Specialist

Office of Program and Project Development

David Atteberry, Program Officer  
Kirk Dahlgren, Program Officer  
Joanne Feldman-Lawrence, Program Specialist  
Tom Reynolds, Program Specialist



USAID/Washington

Monique Cohen, AIMS Project \*

Workers Bank

Norma Russell, Director, Post Office Division  
Howard McIntosh, Senior General Manager, Banking Operations  
Glenroy Bernard, Manager, MicroBanking Unit  
Tracy Scott, Loan Officer  
Cheryl Foster, Loan Officer  
Andrea Ellis, Loan Officer  
Garret Williams, Supervisor, Spanish Town Cluster

World Bank

James Hanna, Principal Operations Officer \*  
Patricia Shako-Daly, Program Officer

Other Consultants

Robert Christen, CARANA Corporation  
Karl Jensen, Development Associates, Inc. \*  
Wesley Weidemann, Weidemann Associates \*

Annex 4  
Logical Framework of Project

## MICROENTERPRISE DEVELOPMENT PROJECT

### LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>GOAL</b>  To increase employment opportunities for lower income groups thereby increasing income and quality of life	-Increased employment in the microenterprise sector  -Increased income of participants	-Bank of Jamaica reports  -Project survey reports  -Planning Institute of Jamaica/Statistical Institute	-Profitable opportunities exist for microenterprise investments
<b>PURPOSE</b>  Expand development of microenterprises into more productive and sustainable businesses	-Sales, production, employment levels in assisted micro-enterprises increases more rapidly than non-assisted firms	-Statistics maintained on sales, production and employment by participating organizations compared to STATIN statistics on non-assisted firms	-GOJ continues supportive focus on small, medium and micro-enterprises  -Increased income spent on business improvements or family welfare

## OUTPUTS

1. Two sustainable credit organizations expanded

-Income from operations is greater than operational costs

-Cost per dollar loaned decreases

-Loan arrears reduced

-Reports from participating organizations

-Monitoring reports

-Organizations share sustainability objectives

-Enterprises willing to borrow

-Economy is stable and growing

2. Credit disbursed to microenterprises by assisted programs increases by 300%

-\$2.6 million in non-grant capital mobilized

-Reports from participating organizations

-Monitoring reports

-Resources continue to be made available for on-lending to the sector from private, government, donor sources

3. 5000 micro-enterprises started and/or expanded (50% going to women-run businesses)

-Reports from participating organizations

-Monitoring reports

4. 12000 loans disbursed in assisted programs (50% going to women-run businesses)

-Reports from participating organizations

-Monitoring reports

5. 8000 micro-enterprises receive short-term training from institutions

6. Baseline data on microenterprise operations improved	-STATIN survey conducted on a quarterly basis	-STATIN reports	-GOJ continues supportive focus on micro and small enterprises
7. Fifty lending officers trained in microenterprise lending practices	-7 workshops/seminars held	-Monitoring reports	
8. Twelve senior staff and board members trained overseas in minimalist lending strategies	-At least 2 overseas study tours conducted	-Project reports	
		-Contractor reports	
		-Trip reports	
		-Program audits	
<b>INPUTS</b>			
	<b><u>BUDGET</u></b> <b>(US\$000)</b>		
-Credit			
-Technical Assistance	1616	-Project reports	Inputs available on timely basis
-Mon-Credit	586		
-Policy/Information/Monitoring/Research	98	-USAID Controller reports	
-Project Implementation	150		
-Audits/Evaluations	275		
-Contingency/Inflation	160		
	115		
	<hr/> 3000		

Annex 5

Courses Conducted Under the Micro and Small Enterprise Financing Institutions  
Training Program

Table 1

**CUMULATIVE TOTALS  
TRAINING COURSES CONDUCTED  
1994 TO 1996**

	DATE	TARGET GROUPS				GENDER				NGO		CREDIT UNION		BANK		EASTERN CARIBB.		EU Subsidised		TOTAL
		Senior Managers	Loans Officers	Credit Committees	Donors Wholesalers	Male		Female												
Loan Appraisal & Analysis *	November 14-16, 1994		18			10	56%	8	44%	14	78%	2	11%	2	11%					18
Loan Appraisal & Analysis *	November 16-18, 1994		21			14	67%	7	33%	14	67%	3	14%	4	19%					21
Loan Appraisal & Analysis *	February 20-22, 1995	4	26			12	40%	18	60%	5	17%	20	66%	5	17%					30
Loan Appraisal & Analysis *	March 13 - 17, 1995	3	24			18	66%	9	33%	13	48%	8	30%	6	22%					27
Loan Appraisal & Analysis *	March 20 - 24, 1995	5	22			15	56%	12	44%	11	40%	8	30%	8	30%					27
Loan Portfolio Management & Financial Viability	July 17 - 21, 1995	13				6	46%	7	54%	4	31%	7	54%	2	10%			8	62%	13
Management Information Systems	Sept. 13 - 15, 1995	11				7	64%	4	36%	4	36%	7	64%					10	91%	11
Review of institutional soundness, Safety & Soundness	Sept. 27 - 29, 1995	13			2	10	67%	5	33%	6	40%	9	60%					10	67%	15
Assessing Entrepreneurial Competencies	Jan. 15 - 18, 1996		17			3	18%	14	82%	1	6%	11	65%			5	29%	10	58%	17
Loan Policy & Implementation Strategies	Jan. 30 - Feb. 1, 1996	19		1		11	55%	9	45%	2	10%	10	50%	1	5%	7	35%	10	50%	20
Loan Portfolio Management	March 10 - 22, 1996		27			9	33%	18	67%	8		11		2		8	30%	17	63	27
Marketing the Services of a Micro Financial Institution	April 11 & 12, 1996	12				7	58%	5	42%	5	42%	7	58%					12		
Lease Financing **	April 23 - 26, 1996	8	2			5	50%	5	50%	3	30%	5	50%	2	20%					
CUMULATIVE TOTALS		88	157	1	2	127	51%	121	49%	88	35%	108	44%	32	13%	20	8%	77	31%	248

## SUMMARY OF CUMULATIVE TOTALS

GROUPS			GENDER				INSTITUTIONS		
		Repeats				Repeats			
Senior Managers	88	21	Males	127	51%	17	NGOs	88	35%
Donors, Wholesale & Policy Makers	2		Females	121	49%	22	Credit Unions	108	44%
			Sub-Total	248		39	Bank	32	13%
Loans Officers	157	18	<b>TOTAL (Less Repeats)</b>			<b>209</b>	Other	20	8.00%
Credit Committees	1								
Executive Directors									
Sub-Total	248	39					<b>TOTAL</b>	<b>248</b>	<b>100%</b>
<b>TOTAL (Less Repeats)</b>						<b>209</b>			

## EU SUBSIDISED

Number Subsidised 65 (29%)

\*\* Sponsored by the Dutch

\* USAID Sponsored

Annex 6

Studies and Surveys Produced Under GOJ/USAID/GON/UNIFEM Memorandum of Understanding



**Studies and Surveys Produced Under GOJ/USAID/GON/UNIFEM Memorandum of Understanding**

ACTIVITIES	IMPLEMENTED BY	FUNDED BY
<b>SURVEYS:</b>		
1. The National Survey. (1992)	STATIN, UWI, MSU (Pat Anderson:1994)	USAID, GON, UNIFEM,
2. Quarterly Panel Survey on national data.	STATIN, MSU (C. Liedholm T.Gustafson:1993-4)	USAID, GON, GOJ
3. Parallel Panel Surveys on project data.	EDT, ASSIST (not implemented)	USAID
4. Dynamic Study of Jamaican Micro and Small Enterprises. (1980-1992)	MSU (J. Fisseha: 1994)	USAID
5. Updated National Survey (1992-1996)	STATIN (C.McFarlane, 1997)	USAID, GON
<b>POLICY STUDIES:</b>		
1. A Dynamic Study of Mini-Enterprises in Jamaica.	UWI: (M. Witter: 1993)	GON
2. Social Relations in the Small Proprietor Sector in Jamaica.	UWI: (D. Robotham, N. Cowell, B. Hussey, J. Jones: 1993)	GON
3. Clustering, Networking and Linkages in Agriculture and Food Processing Industries	UWI: (H. Thomas, G. Shirley: 1993)	GON
4. Macro Policies and Small and Micro Enterprises in Jamaica: a. Technological Behavior of Small Scale Business in Jamaica. b. Macro-Policies and Technology Choice in Jamaica. c. Taxes and the Small Business Sector in Jamaica. d. The Legislative Environment for Small and Microenterprises in Jamaica.	ISER  a. G. Boodraj, 1993  b. P. Basu, 1993  c. D. Alleyne, 1993  d. H. McBain, 1993	GON

ACTIVITIES	IMPLEMENTED BY	FUNDED BY
<p>5. Gender Studies for Small and Microenterprises in Jamaica:</p> <p>a. The Informal Commercial Importers.</p> <p>b. Potential for Microenterprise Development Among Women Engaged in Training and Income Generation Projects</p> <p>c. Gender, Networking and Survival: Female Entrepreneurs in Professional Services</p> <p>d. Analysis of EDT Female Clients.</p>	<p>ISER</p> <p>a. D. McFarlane-Gregory and T. Ruddock-Kelly, 1993</p> <p>b. L. Josephs, 1993</p> <p>c. A. Blackwood-Harriet and S. Celestine, 1993</p> <p>d. H. McKenzie (unfinished)</p>	<p>UNIFEM</p>

Annex 7

Findings of MDP Supported Surveys and Studies

## Findings of MDP Supported Surveys and Studies

### 1992 National Survey:

1. The microenterprise sector (firms up to 10 employees) is dynamic including 88,850 entrepreneurs and providing employment to about 150,000 people.
2. Close to 70% of microenterprises are engaged in commerce primarily in Trade, Hotel and Restaurants sector. Own-account businesses account for 52% of microentrepreneurs engaged primarily in construction, retail trade and personal services.
3. The main constraints faced by microentrepreneurs are low market demand, high prices for raw materials and supplies, high utility costs, and capital/cash flow shortage. Constraints data was not gender-disaggregated.
4. The formal credit system serves even the larger enterprises to a limited extent when the required collateral can be secured and firms are able to pay high interest rates. To start up their businesses, microentrepreneurs largely depend on their own savings, sale of their own assets, the informal credit rotating system known as partner or NGOs for smaller, quick-disbursing uncollateralized loans. In the sample, only 3% of microenterprises with initial investment levels under J\$20,000 had borrowed from commercial banks. Only 5.9% of males and 4.1% of females reported borrowing start-up loans from commercial banks. Reluctance to borrow is stronger among own-account firms, rural enterprises and female entrepreneurs. Collateral problems are more pronounced for own-account firms while complaints of high interest rates came more from larger firms.
5. Other constraints that lead to inadequate demand and cash-flow problems include dependence on small local markets and absence of linkages to the large-scale sector.
6. Inappropriate technology as well as inadequate training to obtain technical and management skills (most pronounced in commerce) also hamper the ability of microenterprises to increase production and market share.
7. Women operate smaller businesses (majority in own-account home-based operations) and are concentrated mainly in commerce/retail trade, personal and social services as well as food and garment manufacturing. Men operate larger enterprises and concentrated mainly in construction, furniture manufacturing and wholesale trade.
8. Gender differentials were important to note in regard to reliance on business. 77% of males in the sample said the business was their only source of income compared to 85% of females.
9. Despite the constraints, microentrepreneurs are deeply committed to their businesses and enjoy being their own boss. 77% of males and 70% of females said they were sure to stay in business and hoped for further growth. For most of the entrepreneurs, the business was their only alternative to unemployment.

The survey report clearly states for the policymakers that although capital and cash flow difficulties were among the most serious problems faced by microentrepreneurs, "the problem of microenterprise development cannot simply be approached as one of capital-infusion... The infusion of credit by itself could well serve to throw firms into greater imbalance unless this is part of an integrated strategy to increase market share. (P. Anderson, 1994)"

### 1996 National Survey (preliminary findings):

1. Total number of microenterprises increased from 88,850 to 93,110 with 63.3% in trade (as compared to 55.2% in 1990) and 36.7% in non-trade (as compared to 44.8% in 1990).

2. As in 1990, 73% of the enterprises were own-account businesses and 89% of the microentrepreneurs were sole proprietors in 1996. In addition, 19% of microenterprises had 1-2 employees. Construction and Finance/Business Services sectors were the only sectors with higher employment levels.

3. Female owned enterprises dominate the following sectors: Wholesale/Retail Trade (56%), Personal Services (72%) and Restaurants and Hotels (48%) and Community/Social Services (42%). Male owned enterprises dominate Manufacturing (86.3%), Construction (90%), Transport (93%), Motor Car/Repairs (92%) and Finance/Business Services (75%). Between 1992-96 female participation showed some increase in non-traditional sectors such as construction by 10%, repairs by 7% and Finance/Business Services by 9%. Male participation showed its highest increase in Community/Social Services by 12% and Wholesale/Retail trade by 5%.

4. During 1992-1996, employment declined in the microenterprise sector probably due to stressful economic conditions. Own account enterprises increased from 47% to 67% reflecting an increase in new enterprises in the sector. Firms with 1-2 employees fell from 34% to 23%. Firms with 3-4 employees fell from 13% to 7% while firms with 5-9 employees went down from 6.2% to 3.5%.

5. The main constraints that the microentrepreneurs face still remain similar to 1990 data: inadequate demand (45%), high cost of raw materials (33%), access to credit (28%) and high cost of utilities (20%). Constraints data was not gender-disaggregated.

6. Sources of start-up capital are still largely from personal savings (47%) even though there was a dramatic decrease from 87% in 1990. As sources of capital, sale of assets went down from 17% to 3%, commercial bank loans fell from 6% to 4% and credit union loans fell from 2% to 1.6%. The sources of capital seemed to have shifted more to contributions from family and friends and getting funds from throwing "partner".

#### Dynamic Study of Jamaican Micro and Small-Scale Enterprises:

1. 57% of the sampled microenterprises were still in business. 1/3 of these enterprises were still owned and operated by their formal owners on a full-time basis. The rest are operated on a part-time basis, have been sold or inherited.

2. 34.5% of the sampled enterprises were closed. Two main reasons for business closure were death and emigration of the owner. Low demand accounted for only 12% of the business closures. "Personal factors appear to play a bigger role than economic and business factors in determining survival of microenterprises in Jamaica" (J. Fisseha, 1994). 41% of female owned and 33% of male owned businesses were closed. Part of this higher percentage among women may be due to the high percentage of closures in craft. Women owned enterprises are also smaller and face more marketing problems.

3. The enterprises that were still in business on a full time basis seemed to have adopted better business management practices including bookkeeping, separating business and personal money and keeping bank accounts for the business. The keys to success identified by these microentrepreneurs include customer satisfaction, product quality, job punctuality and effective interpersonal relations.

4. According to the microentrepreneurs, both the number of microenterprises and the demand for their products have increased between 1980-92. Value of sales and resulting income have declined for some enterprises.

5. The average size of employment for all microenterprises increased by 1/3. "At the individual enterprise level, about 1/4 of microenterprises increased their work force by more than 1/2, another 2/5 showed no change and about 1/4 declined. Overall, there was an average annual rate of 2.6% in employment.

Quarterly Panel Survey:

1. The decline in the overall economic activity during 1993-94, significantly affected microenterprises: "real sales(output) fell by 1/3 while total employment declined by 20% along with labor productivity."

2. By sector, trade and commerce were affected the most while services seemed to be hit the least.

3. By gender, female owned firms showed a stronger performance in terms of "real" sales (output) with a 33% increase while male-owned firms showed more than 50% decline in real sales. Despite a larger decline in employment levels for female-headed firms, the wage bill showed smaller declines.

4. By location, urban based enterprises did better.

5. By firm size, "larger" microenterprises with 5-9 employees were affected the worst. Not only their employment and real wage bill declined, but real sales fell about 90%. Own account firms were the only category where employment, real sales and wages increased over the period. The intermediate microenterprises with 1-4 employees showed highest increase in real sales(output) but employment and real wages declined.

Annex 8  
Synopsis of Policy Studies

## STUDIES ON MICROENTERPRISES IN JAMAICA

**TITLE:** Organizational Structure & Characteristics of Demand in the Jamaican Microenterprise Credit Market. Preliminary Draft.

**AUTHOR:** Benson Honig

**DATE:** June 15, 1993

### SYNOPSIS

The limited scope of institutional credit to the informal sector has long been cited as a major impediment to the growth of small and micro enterprises. This is now being addressed by a number of credit programs supported by international aid agencies. However the characteristics of lending organizations and their selection process is largely unknown.

The study examines the demand and supply of microenterprise credit in Jamaica. The objectives are to provide insight into the characteristics of the demand for credit and how the organization perceives the borrower which impacts on the outcome of the loan application. It analyses entrepreneurs who have requested a business loan from a formal organization and compares them to those who have not. It also examines entrepreneurs who have obtained loans and makes a comparison between the characteristics of successful loan applicants and owners of similar businesses who have not obtained credit. Five organizations were studied for the report.

Findings of the study indicate that although organizational goals and objectives and operational systems are similar among the five agencies studied, their selection criteria of clients varied greatly. These criteria include social variables such as educational level, marital status, gender. These variables are also a factor on the demand side and provide a profile of persons likely to request credit.

Another key finding is that lending organizations have no systems in place to evaluate the success of their credit schemes. Repayment data is the only measure of whether or not their clients benefit from their lending program.



**TITLE:** Gender Studies for Small and Microenterprises in Jamaica. Informal Commercial Importers. Draft

**AUTHOR:** Institute of Social and Economic Research, University of the West Indies

**DATE:** June 1993

**SYNOPSIS:**

This report examines the gender component of the microenterprise sector. The study focuses on the informal commercial importer (ICI) because of the large number of women who make up this group of micro and small entrepreneurs. The objective of the study is to document the activities of ICIs in the Jamaican economy of the 1990s and make recommendations which will assist in informing government policy on ICIs.

ICIs are a phenomenon of the 1970s when economic instability led to the migration of large numbers of the trading sector. The vacuum left was filled by women, traditionally vendors and higglers, who seized the opportunity to supply the market for imported goods and began importing household items from Haiti. The vendors financed their operations by exporting escallion and thyme which they sold themselves in Haitian markets and used the proceeds to purchase stock which they in turn sold on the sidewalks of Kingston.

By the 1980s the activity had grown significantly and the vendors were joined by others, mainly women, who were first time entrepreneurs, not traditional higglers, and did not travel abroad to purchase their goods. Thus the nature of the ICIs changed. In 1982 their activities were formalized by Government and in 1983 an import licensing system was instituted and import duties applied to their goods.

The major findings of the study are that many ICIs (70% are women) have been in this economic activity for as long as 20 years and it constitutes the main source of income. They operate a network of foreign and local contacts exporting ground provisions, vegetables, rum, spices and importing clothing, shoes, cosmetics, small electronic items. They sell wholesale and retail mainly from Arcades constructed by government and sometimes take orders from established wholesalers and retailers. Their links with the formal sector are substantial - airlines, commercial banks, credit unions, established traders, government agencies.

**TITLE:** A Dynamic Study of Mini-Enterprises in Kingston, Jamaica. Interim Report No. 1

**AUTHOR:** Michael Witter

**DATE:** June 6, 1993

## **SYNOPSIS**

The report presents the result of interviews with 25 mini-enterprises<sup>1</sup> in the garment and furniture manufacturing sectors. Thirteen of these were selected for follow-up interviews for the survey, 6 in garments and 7 in furniture.

With the exception of two cases, the garment enterprises are managed by their owners who are all females. All the managers, except one, have at least a secondary education, most have some training in garment manufacturing and one attended a management course. All the enterprises produce garments to order and employ at least one person. Financing of the business has been through commercial banks, government programs, loans from friends and relatives, the partner system and deposits by customers.

Furniture manufacturing operations have similar characteristics to those of the garment manufacturers except that the owners are all males. Most of the enterprises in both groups reported problems ranging from declining sales to high cost of inputs.

The main findings were:

- the entrepreneurs lack information on management and marketing techniques as well as the operating costs and revenues of their enterprise;
- owners have limited knowledge of the services provided to small business through government and non-government agencies;
- enterprises run by females are more organized in terms of their objectives;
- there is growing awareness of competition in the market and the need to improve efficiency and quality in production.

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<sup>1</sup> "Mini-enterprises" is used by the author throughout the report.

**TITLE: FINANCING MICRO AND SMALL BUSINESS DEVELOPMENT**

**AUTHOR: Errol Gregory**

**DATE: June 1993**

## **SYNOPSIS**

A look at the sources of finance for micro and small businesses and the efficiency of the informal sector versus the formal sector.

Small and micro businesses in Kingston were surveyed to determine the sources of funds. The study found that only 35% of small businesses borrowed funds at the start of their operations. Although only 24% of those surveyed borrowed from commercial banks when starting their businesses, 68% use commercial banks regularly. This indicates that banks are not viewed as institutions which provide capital for the start-up of small businesses.

Other sources of finance for these businesses are Credit Unions, small business lending agencies, and family and friends. Funding for expansion of the business were mainly from non-formal sources such as savings, family and friends or partner draws. These findings support the findings of other studies that the formal financial system is not the first source small and micro entrepreneurs look to for funds.

## **Recommendations**

- 1 Institutions such as the Small Businesses Association should become more active in educating their members in the rudiments of business plans and credit management which would impact on their access to credit.
- 2 There is need at a policy level to coordinate activities of the institutions providing credit to the sector if government development objectives are to be met. Such a coordinating institution would assist efforts in developing a data bank on the sector.
- 3 Assistance to the sector in strategies for marketing their products.

**TITLE:** Social Relations in the Small Proprietor Sector in Jamaica

**AUTHOR:** D Robotham; N Cowell; B Hussey; J Jones

**SYNOPSIS**

A study on the social relations and conditions in small enterprises and the issue of workers rights and protection.

Fifteen enterprises were examined in the areas of data entry, garments, furniture and wood processing, food processing and service, automotive services and agriculture. The role of the state in protecting workers in these enterprises is assessed and the problems trade unions face in protecting workers in small businesses briefly examined.

\*\*\*\*\*

**TITLE:** Gender, Networking and Survival. A Preliminary Study of Female Entrepreneurs in the Professional Services

**AUTHOR:** Sharon Celestine, Andrea Blackwood-Harriott

**DATE:** June 1993

**SYNOPSIS**

Women are increasingly exercising the option to start their own businesses in the face of obstacles to their advancement in the corporate world. However, it is generally believed that when women become entrepreneurs they tend, at least initially, to start on a limited scale with a short-term view of the business.

The objectives of the study were to examine whether women entered more traditional areas of work even in non-traditional sectors; the patterns of social organizations to determine if women demonstrate any peculiar characteristics in organizing and managing enterprises and determine the major influences which shape these characteristics, e.g. training, socialization, experience; determine what barriers women face in accessing resources; and examine gender barriers and the strategies women use to cope with them. Two types of industries in the service sector were selected for the study, data processing and architecture because of the range of entry points from high technology (computer design) to 'traditional' female skills

(typing) and because they offer more opportunity in non-traditional activities for new entrepreneurs.

**Major issues and findings:**

- a more clear definition of small businesses is needed in order for the sector to be effectively assisted in its development;
- women need more role models and support systems in order to overcome perceived gender limitations;
- legal measures should be considered to ensure women are recognized and remunerated based on their skills;
- experience or perception of gender bias in previous jobs have led to many women establishing their own businesses;
- women need to understand and link into power networks in order to better market their businesses.

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**TITLE:        TECHNOLOGICAL BEHAVIOUR OF SMALL-SCALE BUSINESS IN JAMAICA**

**AUTHOR:     Girjanauth Boodraj**

**DATE:        June 1993**

**SYNOPSIS**

Report of research of the technological behavior of two microenterprises in Jamaica, one a producer of plastic containers, the other engaged in leathercraft. Technology is used to refer to skills, methods, procedures and knowledge required for the production of goods and services as well as the equipment necessary to produce those goods and services. The report examines how each enterprise utilized these components in their establishment and growth and the degree to which the use of technology advanced the development of the enterprise.

The report found that there is a need to make credit easily accessible to microenterprises which are unable to meet the collateral requirements of lending agencies. This was evidenced in the case of the leathercraft enterprise whose growth was retarded over a period

of 7 years due to their inability to purchase a sewing machine to improve the quality of their products. Therefore, while the determination to succeed and knowledge and skill of the entrepreneur is very important, this must be matched by access to the basic equipment required for the job.

\*\*\*\*\*

**TITLE:** Out of the Shadows: The Institutional Framework and Small-Scale Manufacturing Enterprises in Jamaica

**AUTHOR:** Patricia Anderson

**DATE:** October 1992

#### **SYNOPSIS**

An examination of the behavior of microenterprises in the provision of goods and services, their impact on capital and labour, and assessment of the extent to which official regulations were observed or circumvented.

The report looks at the legal and regulatory framework for small businesses, the social and demographic characteristics, their observance of regulations governing the operation of a business, and makes some observations on the outlook for the small-scale manufacturing sector. The outlook was mainly positive noting that small businesses are uniquely positioned to serve their clientele because of their cheaper prices, specific skills and ability to negotiate terms and prices with individual customers.

**TITLE:** The Legislative Environment for Small and Micro Enterprises in Jamaica

**AUTHOR:** Helen McBain

**DATE:** June 1993

## **SYNOPSIS**

An examination of the legislative and regulatory environment and their effect on the operations of small and micro enterprises in Jamaica. Sixty-seven small-scale enterprises in the urban area of Kingston were surveyed to determine whether compliance with the law and bureaucratic procedures adversely affects the operations of small businesses and increases the cost of doing business. The report looks at the procedure for registering a business, types of registration and their advantages and disadvantages, the various taxes which apply, standards, and labour laws.

The report concluded that approximately 25% of the enterprises surveyed are not registered and therefore do not have to comply with tax and labour laws and standards regulations. Non compliance may prevent these enterprises from expanding their businesses and contributing more to employment generation and the economy.

Recommendations include a general review of all laws governing the operation of business; educating small firms about the requirements of these laws; an increase in fines for non-compliance with the registration law; establishment of a tax registration centre to make it easier for businesses to register for taxes; the enforcement of the standards regulations; the simplification of export procedures.

\*\*\*\*\*

**TITLE:** Macro-Policies and Technology Choice in Jamaica (Draft)

**AUTHOR:** Priya Basu

**DATE:** June 1993

## **SYNOPSIS**

The influence government policy has on technology choices by private businesses and identification of policies likely to promote the use of appropriate technology (AT).

The report presents a conceptual framework within which macro policies relevant to the promotion of AT may be considered; describes Jamaica's economic performance since independence and how it has been affected by policy developments; analyses these policy changes and measures the results and their effects on technology choices, employment and growth; and discusses the implications for appropriate technology policy of future changes in macro policy.

\*\*\*\*\*

**TITLE:** Macro Policies and Small and Micro Enterprises in Jamaica

**AUTHOR:** Institute of Social and Economic Research, University of the West Indies

**DATE:** May 1993

#### **SYNOPSIS**

This study was undertaken to determine to what extent the macro policy environment affects the small-scale sector and makes recommendations for policy changes which would facilitate the growth and development of small and micro enterprises. The focus of the study was an examination of policy-induced distortions in factor and product markets with emphasis on the effects of the government's structural adjustment policies.

The report looks at the economic environment in which small and micro enterprises operate; government's policy towards small and micro businesses; and the capital and labour markets.

The study concludes that government cannot pursue a single policy towards small enterprises as the sector is not homogeneous. Specific objectives and policy interventions need to be made in relation to the sector. Government should focus on macro policies (monetary and fiscal) to facilitate the growth and development of the small-scale sector.



**TITLE:** Problems of Credit, Technology, Training and Information Facing Small and Micro Enterprises in Jamaica

**AUTHOR:** Helen McBain

**DATE:** June 1993

### **SYNOPSIS**

Economic adjustments measures including liberalization and deregulation were intended to remove policy-based constraints which affect the proper functioning of markets. Controls on credit and interest rates were seen as limitations to small-scale enterprises trying to access credit from formal institutions. Government intervention in the form of concessional credit programmes was introduced but the view emerged that this intervention had negative effects. This study examines whether and what type of interventions are needed to facilitate access to credit, technology, training and information by small and micro enterprises in Jamaica.

Based on the research, the study presents the view that liberalization of all markets may not be the solution to the problems facing small and micro enterprises in Jamaica since some deficiencies may be structural rather than policy induced.

Recommendations include exploring a form of government-community partnership funded by divestment proceeds to facilitate access to credit by microenterprises which lack collateral; research on the functioning of quasi-formal and informal credit institutions; training through networking among small-scale enterprises or through sub-contracting between large and small enterprises; an indepth study of training courses being offered in relation to the needs of small-scale enterprises; dissemination of information which can assist the sector in its development.

\*\*\*\*\*

**TITLE:** Taxes and the Small Business Sector in Jamaica

**AUTHOR:** Dillon Alleyne

**DATE:** June 1993

### **SYNOPSIS**

A look at the General Consumption Tax (GCT) and how it relates to small businesses as well as the impact of the GCT and other taxes on the performance of small businesses. The

report discusses in some details the operation of the GCT which replaced such taxes as excise duties, CARICOM duties, retail sales tax, telephone service tax, entertainment duty, additional stamp duty, and hotel accommodation tax.

Of the 67 businesses surveyed less than 50% were registered for GCT. This leads to the question of why so many had not registered. Firms registering for GCT must have a Business Enterprise Number (BENO). However in order to have a BENO they must also have an Income Tax Reference number and a National Insurance Scheme (NIS) employer's number. A considerable number of businesses complained that the administrative and labour costs of tax compliance were considerable. Added to this is lack of coordination between the different agencies responsible for collecting taxes, the different bases for computing taxes and the different timing for collections.

The report recommends the establishment of a small business advisory centre to help small businesses with training especially in accounting services; a delay in the payment of taxes for small businesses who wish to import until their operations are viable; centralization of tax collection and administration.

\*\*\*\*\*

**TITLE:**        **Patterns of Change Among Jamaican Microenterprises: Results from a Quarterly Panel Survey 1993-1994. (Draft)**

**AUTHOR:**    Todd Gustafson; Carl Liedholm

**DATE:**        July 1995

**SYNOPSIS:**

The report summarizes the findings of a Quarterly Panel Survey of microenterprises conducted in Jamaica from the second quarter of 1993 to the fourth quarter of 1994. The survey traces the patterns of expansion and contraction of a panel of microenterprises over the period, captures vital data on the microenterprise sector, and provides an insight into activities of this dynamic sector of the Jamaican economy.

**TITLE:** Dynamic Study of Micro and Small Scale Enterprises in Jamaica (Draft)

**AUTHOR:** Yacob Fisseha

**DATE:** February 1993

**SYNOPSIS:**

Follow up dynamic study of 142 Jamaican micro and small manufacturing enterprises which were first studied between 1978 and 1980. This second study identified the status of over 90% of these enterprises. Although the report does not describe year by year changes, it focusses on the major changes which have taken place in the twelve years between 1980 and 1992. The study provides an insight into the life cycle of MSEs and the economic and personal reasons for their closure or decline.

\*\*\*\*\*

**OTHER AVAILABLE INFORMATION**

**TITLE:** Micro & Small Business Sector. Institutions/Agencies Supporting the Sector.

**SYNOPSIS:**

A listing of the agencies and institutions which provide credit to the small and micro enterprise sector in Jamaica as well as the wholesale institutions and donor agencies which support the sector. Information include their location, services provided, interest rates and requirements for accessing loans.

August 1995

Annex 9

Profiles of Successful Microentrepreneurs

## PROFILES OF SUCCESSFUL MICROENTREPRENEURS:

### 1. FURNITURE MANUFACTURING AND BLOCK MAKING:

Robert Locke started his furniture manufacturing business under a mango tree in his backyard eleven years ago in 1986. He was 24 years old. He put two pieces of wood between two trees to make a cutting table and with rudimentary tools and a saw, he began making and repairing small pieces of household furniture. Today, he owns and operates WOOD PRIDE, a furniture and block manufacturing enterprise in the heart of Papine, a bustling area of North Kingston.

"My dad was a carpenter and I always played around with tools and wood when I was growing up," says Robert. Even though his love of carpentry was instilled in him from early on, after he graduated from all age school at 15, Robert went onto the St. Andrew Technical School for four years (1982-86) to get a certificate in building development. His technical education enhanced his creative abilities since he was able to not only design and manufacture household furniture but also be able to "read" blueprints and technical drawings to respond to big construction orders such as providing doors and windows for housing schemes.

As the number of his customers began to grow, Robert moved the business from his backyard to its current location. He read about ASSIST in the newspaper and applied for a loan to buy woodworking machinery so that he did not have to go to someone else's workshop to cut and assemble his furniture as before. In 1993, he received his first loan for J\$60,000 from ASSIST. He took a second loan from ASSIST in 1994 for J\$70,000 to buy additional woodworking machinery. As his sales and income started to increase, he decided to expand and diversify his business into block making. "I realized that there was nobody in this area of town who was into block-making. Since I had extra space on my premises, I decided not to waste it and take advantage of this opportunity." In 1995, Robert received his third loan for J\$100,000 from ASSIST to purchase block-making machinery.

Since Robert first began in 1986, his enterprise has grown considerably. The friend whom he hired first to help him cut furniture in his backyard is still with him but his enterprise now employs a total of 12 people including a part-time bookkeeper, a night watchman and 10 unskilled workers. His assets have grown from J\$20,000 to J\$800,000. He estimates the increase in his income to be around 90%. His sales are high but restricted by his constraints on production. "The market demand is much higher than what we can satisfy," he says. In furniture manufacturing, he continues to make individual pieces of furniture for households, while he responds to big construction orders on windows and doors. In block-making, he is proud to be the only supplier in a central location accessible to both retailers such as hardware stores and individual customers.

Although business is going well, it can do better. Robert hopes to get another loan so he can buy a truck. At present, he hires truckers to bring his raw materials from other parts of the island as well as to do his deliveries. "Sometimes, the truckers don't show up on time or charge too much. If I had my own truck I can make sure that my orders are delivered free and on time. This will make my customers happier. You always need to think about your customers. You have to keep your product and service quality high." If this means you have work extra hours, Robert says, he is willing to put in those extra hours.

"Small or large businesses, we are all going through hard times now. We need more incentives from the government. Large hardware merchants sometimes import doors and windows from abroad and sell them 45% cheaper than our best price on what we can manufacture here. We need more access to credit. Commercial Banks ask for collateral we do not necessarily have. We need institutions like ASSIST who lend to the micro and small businesses on better terms." Determination and courage are two characteristics that every entrepreneur needs to have says Robert. "You stick it out through thick and thin when you own your own business. My dreams will come true when I have my own truck and backhoe so I can expand my business even

further. I plan to sell sand and gravel in addition to block-making and furniture manufacturing."

## 2. RETAIL TRADING IN ART AND CRAFT SUPPLIES:

Anthony Gabbedon (45), graduated from the Kingston Technical College and started working as an electrician 25 years ago. His girl friend Quindle Ferguson (46) went to the Edna Manley School of Art and started teaching art at the Institute of Jamaica-Junior Center. To earn additional income, they also were micro scale "higglers" bringing goods from Curacao to sell in Kingston. In 1989, art teachers at the Junior Center asked Quindle if she would be interested in bringing in art and craft supplies from abroad since schools were always short on supplies. Quindle and Anthony decided to take this opportunity since the higgler market they were involved in was already too crowded.

They had \$J8000 in savings which they used to purchase a shelf and some art supplies to set up their new business named Q&E ARTS AND CRAFTS in their house. They sold their first stock of art supplies to Kingston College and the Camperdown High School. They then continued to visit schools and respond to orders on a small scale. In 1989, on a visit to MICO Teachers College in Kingston, Anthony inquired whether he could rent an unused building space he had spotted on campus. The Head of the Art Department took the request to the School Board and Anthony and Quindle were given permission to open up their retail store on MICO campus.

Although they had their store, Anthony and Quindle needed capital to stock up on art and craft supplies. As he was doing some electrical work at a customer's house one day, Anthony inquired about loans. The customer who happened to be a senior banker at NCB suggested that he should go to ASSIST. In 1989, Anthony and Quindle got their first \$J20,000 loan from ASSIST which enabled them to purchase their stock directly from the United States.

"We decided that we will be the only store in Jamaica which will sell all the necessary materials for arts and crafts. Most stores specialize in selling stationery or materials for basketry and weaving or jewelry making or canvas and paint whereas, the customer does not want to go to a number of different stores to get their materials. We went to all the schools and got their syllabi for art courses so that we can supply all their needs".

In 1991, 1992 and 1995, Anthony and Quindle received 3 additional loans from ASSIST for \$J25,000, \$J50,000 and \$J100,000 respectively to purchase excess stocks so they would not be too affected by the fluctuations in the exchange rate. "We have to keep our prices fairly stable since we do not want to lose our customers. We can only do this if we purchase in bulk rates from wholesalers. Our cash flow is not always certain since schools do not pay us up front for their orders. We always have to work around these constraints. "

Since 1991, Anthony and Quindle's microenterprise has increased in assets five fold and their income and sales have gone up more than that. They have a clear division of labour says Anthony: "Quindle buys all the materials. As she is trained in art, she knows what to buy. I do all the financial work and manage the store. I have a certificate in business management from a one year course I took at UWI, School of Continuing Studies." In addition to retailing arts and crafts supplies, Quindle's contacts in theater (she is an actress on the side) have given them another opportunity to expand their business into an unexploited area. In 1990, they started to design and manufacture costumes for carnivals, theatre productions and Halloween. During these periods, they employ 15-20 seamstresses on contract to meet the orders. They are getting into retailing theatrical make-up as well.

Since the establishment of their business, Quindle stopped teaching and Anthony does minor electrical work on the side. The potential for growth for their business is great Anthony says. The market demand for arts and s

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in Jamaica is increasing. They have even exported to St. Vincent and Turks and Caicos Islands as former students in Jamaica have requested supplies after their return to their home countries. "Due to our limited cash flow, our stock is always limited. Our major constraint to expand our business is access to credit. If we were to expand our business even further and purchase in large volumes then we would afford to hire an agent in the States who could purchase and ship all the materials to us. This would lower our costs. Our overheads remain high since we still have to travel to the United States several times a year to buy our materials from both retailers and wholesalers, which we then have to package and ship to Jamaica. Banks don't take chances with small entrepreneurs like us. They want housing, cash deposits or cars as collateral. Our life line is with organizations like ASSIST which are willing to accept stock as collateral and lend at better interest rates".

Anthony and Quindle say they have been successful because they know the market, they keep in contact with the art teachers, their prices are competitive, the customers shop in one place for their supplies and they deliver free. "This is no lazy man's business," Anthony says "I work hard and I do my best because it is my own business. I am satisfied with that. I do not need a Long Service Award plaque to hang up on my wall". For the future Anthony and Quindle have high hopes for their business. Their eyes sparkle as they say, "Now we buy from Pearl of New York, the biggest art supply center in New York where each floor is dedicated to different materials for arts and crafts. One day, we will operate the Pearl of Caribbean."

### 3. RETAIL TRADING IN GROCERIES:

Mr. John Smith (name changed for confidentiality) is a 26 year old dynamic young man who owns a small grocery shop in Greater Portmore, an area of residential and commercial growth outside of Kingston. The volume of Mr. Smith's business was small to begin with due to limited capital base. His average daily sales amounted to J\$3,425 (US\$100) and he stocked about 14 items including a selection of meat products, basic staples, bread and seasonings (see attached Table). In order to keep a running stock, he used to have to make daily trips to his suppliers.

On October 15, 1996, Mr. Smith received a J\$15,000 loan from the first Early Partner Draw at Workers Bank. He used this loan to purchase stock. He was fortunate that the size and location of his property was appropriate for expansion of stock. After his first draw, Mr. Smith's daily sales averaged J\$5,424 (58% higher) and the range of products stocked diversified considerably including milk products, infant cereal and drinks (see attached). Mr. Smith's first Early Draw was scheduled to last for 10 weeks. However, he completed his payments in the 9th week in order to facilitate his second draw during the Christmas season (his high season). He was approved for a second draw of J\$30,000. After the second draw, Mr. Smith's daily sales averaged J\$11,425 (111% higher) and the range of products he offered to his customers diversified again including animal feeds, meat products and laundry utilities. Mr. Smith, at present, seems to be well on his way to own a large grocery store one day.

Since this story was written on information provided by Workers Bank, we were unable to probe further into Mr. Smith's background, his constraints, and business practices. We also did not have impact information on enterprise and household levels.

**TABLE 2**  
**A comparison between the products offered before & during**  
**the 1st and 2nd partner draws.**

Before partner	1st Draw	2nd Draw
Rice (1-3 bags)	Rice (5-10 bags)	Rice (5-10 bags)
Flour (1-3 bags)	Flour (5-10 bags)	Flour (5-10 bags)
Sugar (1-3 bags)	Sugar (5-10 bags)	Sugar (5-10 bags)
Cornmeal (1 bag)	Cornmeal (2 bags )	Cornmeal (2 bags)
Chicken Back (20lbs)	Chicken Back (1 case)	Chicken Back (2 case)
Whole Chickens ( 1 bag)	Whole Chickens (2 bags)	Whole Chickens (2 bags)
Pork (10 lbs )	Pork (10 lbs )	Pork (20 lbs )
Pigtail (1 keg)	Pigtail ( 2 kegs )	Pigtail (2 kegs)
Cornbeef (12 tins)	Cornbeef (1 case)	Cornbeef (1 case)
Chicken foot	Chicken foot	Chicken foot
Tissue (12 rolls)	Tissue ( 1 box )	Tissue (1 box )
Bread (10)	Bread (30)	Bread (50)
Seasoning	Seasoning	Seasoning
Butter Beans ( 6 tins)	Butter Beans (12 tins)	Butter Beans (12 tins)
	Saltfish (1 case)	Saltfish (1 case)
	Buns (12)	Buns (15)
	Irish Moss (12 tins)	Irish Moss (12 tins)
	Evaporated Milk (12)	Evaporated Milk (12)
	Supligen (12 tins)	Supligen (24 tins )
	Sports Shake (12 tins)	Sports Shake (24 tins)
	Pampers (1 case)	Pampers (1 case)
	Cornflakes (12 boxes)	Cornflakes (12 Boxes)
	Ketchup (1 case)	Ketchup (1 case)
	Condensed Milk (1 case)	Condensed Milk (1 case)
	Ground Provisions	Ground Provisions
		Chicken Feed (12 bags)
		Pig Feed (12 bags)
		Soap powder (12 bags)
		Cooking Oil (1 Keg)
		Liver (10 lbs )
		Kidney (10 lbs)
		Beef (20 lbs)
		Oxtail (20 lbs)
		Mutton ( 20 lbs)
		Turkey necks (40 lbs)
		Spray Starch (12 )
		Cheese (12 tins)
		Sardines (1 case)
		Mackerel (1 case)

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Annex 10

Assessment of AIMS Methodology

## Assessment of the AIMS Methodology

The framework identifies "impact paths" in terms of poverty alleviation and economic growth, including advances in improved economic security for households, improvements in viability, stability and growth for enterprises; improved well-being for individuals; and increased economic development and civic participation for communities. "Domains of impact" are identified to measure change along these "impact paths". Possible indicators of impact at each level may include but not limited to the following:

- \* At the enterprise level: income, employment, assets and sales/production;
- \* At the household level: household income, asset accumulation, labor productivity, increased expenditures on food, education and health;
- \* At the individual level: improved well-being, leverage in household decisionmaking, independent control of resources;
- \* At the community level: participation in civic organizations, economic development represented in net increases in income and employment.

To operationalize the framework, AIMS methodology proposes a combination of qualitative and quantitative methods of data collection over a period of time on project clients as well as another set of microentrepreneurs who will serve as the control group.

The AIMS framework will be challenging to operationalize in Jamaica. The concept of household has to be better defined in the Jamaican context since households are not typical structured units. A typical household in Jamaica is headed by a woman whose children may be living with relatives, friends or neighbors. The woman may have contributions to her income from her "baby fathers". Adult children, both employed and unemployed, may be living in the home. AIMS will need to define the concept of household in the Jamaica context to better link household dynamics with microenterprise growth.

Also, in order to make the impact monitoring system attractive to Workers Bank, the impact variables have to be limited in number (maybe 6-8 maximum) and useful for the institution in managing its loan portfolio for microentrepreneurs. At present, since microentrepreneurs represent a new clientele for Workers Bank, the additional information that is required for impact data might be seen useful by the Bank to become better familiarized with this new client group and its capacity to absorb credit.

In fact, identifying appropriate impact variables and developing an impact monitoring system should not be too burdensome for Workers Bank if variables are limited in number and data collection utilizes routine systems. The Early Draw Partner Plan application forms already request information on income and expenses at the enterprise and household levels; however, the information is not systematically entered into an MIS system or a database to assess impact of the program. Besides the loan application forms, impact information could also be monitored systematically if it is incorporated in a checklist for site visits performed routinely by loan officers. AIMS study should further investigate the feasibility of this approach.

Annex 11  
Other Donor Activities

Other Donor Activities  
(Current and Proposed)

**World Bank: Microbusiness Development Project (Proposed)**

The proposed project may include the following components:

(1) Policy Component: Purpose is to articulate GOJ's microbusiness development policies and improve the microbusiness environment by (a) preparing a microbusiness policy framework and (b) adjusting government regulations and administrative practices as needed;

(2) Financial Services Component: Purpose is to increase access to more competitive and efficient microbusiness financial services by (a) adjusting the policy environment for microfinance intermediation, (b) building on existing systems a "minimalist" microfinance institution or institutional window and (c) credit program;

(3) Non-financial Services: Purpose is to increase microbusiness human capital skills, entrepreneurship and information by (a) building upon existing systems a network of privately-managed and financially sustainable community-based services and (b) providing effective partial financing mechanisms for microbusiness skills development (possibly through a voucher system).

Proposed timing: Project Preparation - May 1997; Pilot Testing - August 1997; Negotiations - September/October 1997).

**Canadian International Development Agency: Small Scale Enterprise Program**

(1988-1997; Cdn\$7,300,000, grant)

The project has provided credit, technical assistance and training to small and micro entrepreneurs through the NDF/J. The project has provided technical assistance, MIS support, computer and other equipment, vehicles and loan fund capitalization to NDF/J. Project also provided technical assistance and credit facility for establishment of Credit Organization for Pre-micro Enterprises (COPE).

A regional HRD strategy is currently being developed. This may include component on microenterprise development which may include support for development of UTECH Innovation Center and microenterprise training at community level (capacity building of local CVOs, networking, strengthening NGOs outside Kingston so they can take advantage of credit and community/enterprise development initiatives and entrepreneurial training). A credit component may be included.

**Government of Jamaica/Government of the Netherlands: Microenterprise Project**

(1994-1998; Gld\$2,750,000, grant). This is a technical assistance and credit program designed to increase access to financing for microentrepreneurs. The project provides funding through Eagle Merchant Bank of Jamaica (EMBJ), the wholesale bank, to participating credit institutions. Business profiles were developed. Project provided co-financing (with USAID and EU) for the Training Program for Micro and Small Financing Institutions at U-Tech and the Memorandum of Understanding for Policy Studies.

**Government of Jamaica/European Union: Small and Micro Enterprises Credit Scheme**

(1994-to be determined; EC\$900,000 grant and EC\$6,100,000 loan)

Project provides (1) credit facility through EMBJ; (2) training of entrepreneurs through Jamaica Cooperative Credit Union, ASSIST, NDF/J and COU; (3) training

of staff at UTECH (co-financed by USAID and GOJ/GON); (4) MIS development for GOJ/EU Co-ordinating and Monitoring Unit and the GOJ/GON Project Management Unit.

Disbursement of funds have been slow and portfolio risk is a growing concern. Project assessment and reformulation to begin shortly.

**Inter-American Development Bank/MIF: Institutional Strengthen of Credit Union League**

(1996-2001; US\$1,900,000)

The project provides assistance to restructure the Credit Union League to enhance its regulatory capability, strengthen lending methodology of credit unions and increase savings in order to improve lending capability for microenterprises. No direct services for entrepreneurs are included.

IDB currently developing a Country Strategy which will include a diagnostic of the microenterprise sector and suggested strategies for support of sector.

**German Agency for Technical Cooperation (GTZ): Entrepreneurial Project**

(Phase I: 1995 - 1998, project to include three 3-year phases; US\$10 million for three phases with \$5 million committed to date)

Working through HEART/NTA to develop *Entrepreneurial Awareness* module for implementation in HEART/NTA skills training programs. Project may also create unit to give advice on business development.

Annex 12

Project Extension: Concept Paper, Logical Framework, Illustrative Budget,  
Management Structure and Issues

## Concept Paper for MDP Project Extension

The MDP was signed in August 1990 for a planned four year life-of-project with a funding level of US\$2 million. Following a mid-term evaluation the project was extended to 1997 and the level of funding increased to US\$5 million. Mid-term and final evaluations of the MDP indicate that the project had limited success in achieving its overall objectives. Experiences with training, technical assistance and research were generally more positive than those with credit delivery. However, MDP credit component initiatives with the Workers Bank Postal Banking Program, which began during the last year of the project, introduced lending methodologies and management emphasis that demonstrate considerable promise.

Based on the findings of the final evaluation, extension of the MDP is warranted. The recommended MDP continuation would include a Microenterprise Support Services and Training component which would expand on several successful MDP initiatives to provide marketing, management, technology, training and related services to microentrepreneurs. The project would also include an Information and Research component, including support for a third round of the National Survey on Microentrepreneurs and for selected studies. The project would continue credit programming through the Workers Bank Postal Division, focusing on operational support rather than loan portfolio funding. Efforts would also continue to identify other possibilities for credit delivery which could include loan fund capitalization as necessary. Based on experiences with MDP credit programming, particular emphasis would be placed on expanded management support for the development phases of the Workers Bank program.

It is proposed that MDP continuation draw on nearly six years of positive and negative experiences, reinforcing those initiatives that have demonstrated potential and avoiding the mistakes of the past. This concept paper incorporates the findings and recommendations of the mid-term and final evaluations. This concept paper outlines the proposed project components and activities and the organization of the project extension. (See Annex 13 for the Scope of Work for the Design Team).

### I. PROJECT COMPONENTS AND ACTIVITIES.

#### A. CREDIT DELIVERY

##### 1. Strengthening Credit Institution(s)

- a. Operational Support, including salaries for loan officers and other administrative support
- b. MIS support
- c. Technical Assistance for development of lending methodology, portfolio management, internal controls and others
- d. In-house training for newly recruited loan officers and departments that interface with the Workers Bank Postal Division and with the public
- e. Study tours and participation in international training events for decision makers in Government and in cooperating institutions
- f. Support for audits, evaluations, product development, marketing and related activities.

##### 2. Development and Implementation of Remedial Strategy for Workers Bank

- a. Assessment of financial circumstances of Workers Bank
- b. Development of a Remedial Intervention Strategy (if required)

c. Implementation of Remedial Intervention Strategy

3. Loan Fund Capitalization (Not required for Workers Bank, may be required if additional lending institutions are brought into the project)

a. Loan Fund support for potential participating lending institutions

b. Possible incorporation of APPLE funding

**B. TRAINING AND MICROENTERPRISE SUPPORT SERVICES**

1. Support for Selected Training Activities

a. Production of training videos to build upon those already developed

b. Development of curriculum and case materials for industries with heavy concentrations of microentrepreneurs; i.e., retail trade, furniture manufacturing, etc.

c. Exploration and possible development/adaptation of distance education and computer assisted entrepreneurial training programs and training of trainers programs (on a full cost recovery basis) to support these and other initiatives funded under this component.

2. Funding of proposals to be solicited from umbrella organizations, trade associations, training institutions, NGOs and other organizations/agencies to pilot initiatives to deliver microenterprise support services; e.g.,

a. Marketing technology, management and production and other services

b. Training Programs

3. Support for the design and implementation of a Public Awareness Campaign to

a. Increase awareness of best practices among microentrepreneurs and the benefits to be derived from implementing these best practices

b. Increase awareness of and facilitate access to project funded training and microenterprise support services

**C. INFORMATION AND RESEARCH**

1. Support for a third National Survey of Microentrepreneurs

a. Funding for development of survey instrument, field work, data entry and data processing

b. Funding for analysis of the survey

c. Funding for dissemination of survey, including printing, distribution and workshop on survey findings

2. Support for selected studies (suggested studies)

a. Subsector Analysis

b. Group lending experiences in Jamaica



c. Gender differentiated constraints and opportunities in the microenterprise sector

d. Impact of structural adjustment on the dimensions and character of the microenterprise sector.

## II. ORGANIZATION OF THE PROJECT EXTENSION

A. USAID Project Officer and Project Assistant

B. Institutional Contractor

1. Chief of Party: Responsibilities include

a. Project management;

b. Liaison with USAID Mission regarding program design, monitoring and evaluation;

c. Liaison with GOJ and participating institutions;

d. Coordination of short-term technical assistance and training inputs;

e. Identification of alternative participating lending institutions and coordination with Project Officer for development of Cooperative Agreements;

f. Direct responsibility for Information and Research Component

2. Workers Bank Management Team (Team Leader plus three or more assistants): Responsibilities include

a. Oversight of day-to-day operations with particular emphasis on MIS, Post Office/Workers Bank interface and control of loan portfolio quality;

b. Strategic planning and long-term project implementation.

3. Training and Microenterprise Services Manager: Responsibilities include

a. Contracting and oversight related to specified training initiatives;

b. Generation and review of proposals for microenterprise service delivery, manage contractual relationships, ensure monitoring and evaluation systems for microenterprise services are implemented

c. Manage contractual relationships for development of public awareness campaign and oversee implementation of the campaign.

Logical Framework for Project Extension (1)

# Logical Framework for Project Extension (1)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>GOAL</u>  To increase employment opportunities for low income groups, thereby increasing income and quality of life	-Increased employment in the micro-enterprise sector  -Increased income of participants	-Bank of Jamaica reports  -National Survey  -PIOJ/STATIN	-Opportunities exist for profitable micro-enterprise investments
<u>PURPOSE</u>  Expand development of microenterprises into more productive and sustainable businesses	-Cadre of practitioners and policy makers created who are well informed about sustainable lending strategies  -One sustainable commercial micro-enterprise credit organization supported  -National survey and 5 policy studies implemented  -30,000 new job opportunities or equivalent in fuller employment created  -Productively and/or profitability of 10,000 micro-enterprises increased by 15% through non-credit programs	-Project reports  -Surveys  -Participating organizations MIS  -Site visits  -Program audits	-GOJ continues supportive focus on small, medium and micro-enterprises  -Continue viability of banking system  -Organizations share sustainability objectives  -Enterprises willing to borrow  -Economy stable enough for survival of microenterprises

(1) Assumes only one participating lending institution (Workers Bank)

Logical Framework for Project Extension (1)  
(Continued)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>OUTPUTS</u> -20,000 new borrows -100,000 loans disbursed -Data on microenterprise operations improved -J\$ value of sales of assisted enterprises increase more rapidly than non-assisted firms -10 Microenterprise Support Service grants awarded -500 entrepreneurs receive Microenterprise Support Services -Curriculum and other training tools produced -120 New Loan Officers at Workers Bank trained -20 Managers at Workers Bank Trained	-(#) Study Tours/Workshops -140 Staff trained through in-house training -Cost per dollar loaned decreases -Loan arrears continues at 0% -\$J150 million in non-grant capital mobilized -MIS system operational	-Bank of Jamaica reports -National Survey -PIOJ/STATIN	-Opportunities exist for profitable micro-enterprise investments

(1) Assumes only one participating lending institution (Workers Bank)

Logical Framework for Project Extension (1)  
(Continued)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>INPUTS</u>  Credit (Not required for Workers Bank, may be required for other lending institution APPLE funding (to be determined) Technical Assistance OPG/Training/Commodities Contingency/Inflation Audit	-See attached budget	-Project reports  -USAID Controller reports	-Inputs available on timely basis

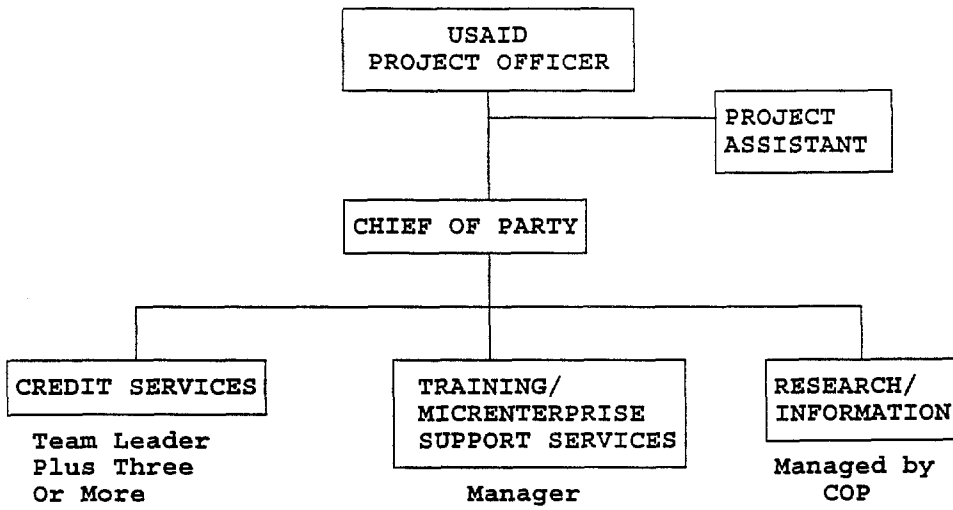
(1) Assumes only one participating lending institution (Workers Bank)

# ILLUSTRATIVE BUDGET

<b>I) INSTITUTIONAL STRENGTHENING</b>	
<b>A) OPERATIONAL SUPPORT</b>	
COMPUTERS FOR 50% OF CLUSTERS	250,000
SUPPORT FOR SENIOR LOAN OFFICERS/AMIN PERSONNEL (6 MOS)	200,000
SUPPORT FOR NEW LOAN OFFICERS (6 MOS)	500,000
NON-RECURRING NEEDS (MARKET STUDIES, PRODUCT DEVELOPMENT, INTERNAL DEVELOPMENT)	100,000
AUDITS	100,000
<b>B) TECHNICAL ASSISTANCE/TRAINING (EXCLUDING PROJECT MANAGEMENT)</b>	300,000
<b>SUBTOTAL OPERATIONAL SUPPORT</b>	<b>1,450,000</b>
<b>II) APPLE LENDING (@ 5% OF WORKERS BANK PORTFOLIO WITH WORKERS BANK CONTRIBUTING 50%)</b>	700,000
<b>SUBTOTAL APPLE</b>	<b>700,000</b>
<b>III) MICROENTERPRISE SUPPORT SERVICES</b>	
<b>A) TRAINING TOOLS</b>	500,000
<b>B) GRANTS (10 @ \$50,000/GRANT)</b>	500,000
<b>C) PUBLIC AWARENESS CAMPAIGN</b>	150,000
<b>SUBTOTAL MICROENTERPRISE SUPPORT SERVICES</b>	<b>1,150,000</b>
<b>IV) INFORMATION AND RESEARCH</b>	300,000
<b>V) PROJECT MANAGEMENT (INCLUDES 3 EXPAT + LOCAL PROFESSIONALS, 5-6 SUPPORT STAFF, OFFICE EQUIPMENT, RENT, VEHICLES, OVERHEAD AND BENEFITS)</b>	1,950,000
<b>TOTAL</b>	<b>5,550,000</b>

PROPOSED MANAGEMENT STRUCTURE

MDP PROJECT EXTENSION



## ISSUES

### QUALIFICATIONS FOR PARTICIPATION AS AN MDP LENDER

Mission managers wish to consider supplementing the current MDP credit services initiative with the Workers Bank program by including one or more implementing institutions in the pending MDP extension. In addition to establishing criteria for selecting potential new participants, the project "design team" will need to assess the feasibility of implementing an additional credit program within the time frame of the extension. MDP experiences to date indicate that program development and initial implementation require two or more years. After more than one year of preparation and pilot programming efforts, the Workers Bank program is projected to require a minimum of two more years of MDP support in order to achieve financial self sufficiency. Therefore, as possible new participating institutions are considered, capacity for prompt program start-up becomes one of the most important qualifications for eligibility. Other selection criteria should include the following:

- Philosophical and Methodological Compatibility with MDP

A participating entity must demonstrate commitment to:

- interest rate policies that are consistent with achieving self sufficiency;
- loan security and collateral policies consistent with reaching the poorest borrowers;
- lowest possible operating costs; and,
- other practices that are fully compatible with the MDP "minimalist" approach to credit service delivery.

Commitment, however, is no substitute for competence.

- Management Expertise

It has been clearly demonstrated in Jamaica and elsewhere, that microenterprise lending requires serious professional expertise. Inadequate professional management capacity has been a major factor in MDP credit programming failures to date. Experience with Workers Bank suggests that even commercial banking expertise, while helpful, requires supplemental training in order to effectively lend to microentrepreneurs. Although it is reasonable to expect that a new cooperating institution would require technical assistance and training, well established loan program management expertise should be a prerequisite to eligibility.

- Ready Access to Clientele

A successful MDP credit delivery agent must have efficient access to its target clientele. Experience in Jamaica and elsewhere indicates that lending to microentrepreneurs requires regular, effective contact with the borrower. Programs targeting rural populations must have cost effective access to the areas in which their clients live and work. Lending to urban microentrepreneurs will require freedom of movement by loan officers in the urban neighborhoods. Prohibitive distances, street violence, cultural differences or any other serious impediment to necessary contact between loan officer and client will render a program ineffective.

• Savings Function

Planning for self sufficiency will require that a participating lending institution develop a capital base that demonstrates eventual independence from AID funding. In addition to providing a much needed service to microentrepreneurs, a well managed savings program can provide capital for lending and otherwise contribute to achievement of self sufficiency.

• Appropriate Infrastructure

Effective access to clientele and achievement of self sufficiency imply well networked, easily accessed, well staffed and cost efficient facilities. A participating institution must have (or be able to develop) physical and human resources infrastructure that will permit timely development of an adequately sized and diversified loan portfolio.

It is unlikely that the Mission will find another institution that will be able to offer the same country-wide reach that the post office arrangement provides Workers Bank. Other commercial lenders that are well networked may offer potential, but the costs of maintaining their infrastructure (in addition to other factors) may render them too risk averse for MDP participation. Instead of emphasizing widespread coverage, it is possible that a new potential participant could offer other types of focus such as specific geographic areas, subgroups such as cooperative members, particular productive sectors or others.

WORKERS BANK LOAN FUND CAPITALIZATION

• We do not recommend that AID capitalize the Workers Bank microenterprise general loan fund:

- Projections indicate that the Post Office savings program will provide sufficient liquidity.
- Workers Bank is a professional lending institution that is accustomed to financing its own loan portfolio.
- The bank is more likely to develop and maintain efficient operating policies without subsidies.
- Unlike other institutions that may have to be encouraged to enter the sector, microenterprise lending is a Workers Bank core business that is expected to enable the bank to stay healthy in spite of the macroeconomic environment.

• WB interest in linking savings to credit is logical and should not be discouraged. The bank is willing to enter the sector because it values small savers as stable customers. MDP managers should encourage the linkage, taking care to ensure WB continued commitment to micro credit as well as micro savings.

• We recommend that the Mission consider using APPLE funding in Workers Bank to ensure continued attention to very low-end borrowers. In order to achieve self sufficiency and weather inevitable financial storms, Workers Bank lending is likely to migrate toward larger loans. It is in the interest of the project to support the bank's efforts to maintain stability. APPLE funding can help to encourage and enable the bank to maintain its focus on extreme poverty lending.



QUALIFICATION FOR PARTICIPATION AS AN MDP PROVIDER OF  
MICROENTERPRISE SUPPORT SERVICES

Criteria for participation as a provider of Microenterprise Support Services will be required. The following should be considered:

Proposals should include a marketing study to ensure that services are demand driven.

Services should be geographically dispersed.

Services should operate on a cost recovery basis. Project funds may be used to partially subsidize services initially, however, the ultimate goal is that programs be self-sustaining.

USAID funds should be used to co-finance activities. Counterpart contributions from the service provider should be required. Where appropriate, co-financing from GOJ or other donors should be encouraged.

MDP should ensure that training programs rely on appropriate curriculum; e.g., the UTECH curriculum, and that mechanisms be put in place to ensure the quality of the training and other services.

Appropriate MIS systems should be put in place prior to the start of service delivery.

## OTHER ISSUES

### Voucher System

The World Bank may include funding for a voucher program to finance the training for entrepreneurs. They plan to pilot a voucher program in August 1997. USAID may consider co-financing the voucher system based on the findings of the pilot test. Issues to consider include:

Does the voucher system provide a choice for entrepreneurs between vocational and entrepreneurial training?

Are there a sufficient number of providers to ensure real choices for entrepreneurs

What mechanisms will be used to determine whether a provider should be included in the voucher program providers.

### Training of Trainers

Training of Trainers may be required to ensure an adequate supply of qualified entrepreneurial instructors. The need for such a program and the appropriate funding mechanism cannot be determined at this time. Any training-of-trainers program should be offered on a full cost recovery basis.

Annex 13  
Scope of Work for Design Team

MICROENTERPRISE DEVELOPMENT PROJECT

PROJECT AMENDMENT

DESIGN TEAM

STATEMENT OF WORK

A. Background

The Microenterprise Development Project (MDP) was signed in August 1990 for a planned four year life-of-project with a funding level of US\$2 million. Following a mid-term evaluation, the project was extended to September 1997 and the level of funding increased to US\$5 million. USAID intends to grant another three-year extension.

The goal of the project has been to increase employment opportunities for the entrepreneurial poor in Jamaica thereby increasing their income and improving their quality of life. The purpose of the project has been to accelerate the development of microenterprises into more productive, sustainable businesses. Major components of the project have been: (i) Credit Component; (ii) anti-poverty lending; (iii) non-credit assistance; and (iv) information and policy.

B. Purpose

To develop a Project Paper Amendment for the extension of the Microenterprise Development Project.

C. Tasks

The Design Team will:

Prepare a Project Paper Amendment to include: background, problem statement, project description, implementation plan, illustrative budget, administrative arrangements, a social soundness and economic analysis.

Define the institutional arrangements for managing the project, including staffing requirements (professional and support), management resource requirements of contractors and cooperating institutions and Terms of Reference for professional staff.

Project Design should incorporate the following:

- 1) Definition of short and long term technical assistance for Workers Bank. The team should consult with the present senior technical advisor, Mr. Robert Christen, in the development of these recommendations.
- 2) Specification of local and international training for management and staff of Workers Bank and for policy makers in the GOJ, including identification of appropriate international conferences and study tours.
- 3) Assess need and potential for additional cooperating lending institution(s). Assess the relative benefits of building a new organization versus strengthening an existing one. The analysis should consider the spectrum of existing institutions, size of the potential client base, required inputs and other donor initiatives (existing and planned). The design team should suggest levels and timing of management support, technical assistance and training for potential cooperating institution(s).
- 4) Define entrepreneurial training activities to be funded, including but not limited to training videos, development of sector specific curriculum and case materials, distance education programs and computer assisted entrepreneurial training modules. Identify technical assistance and other inputs required to develop training initiatives.
- 5) Define criteria to be used in evaluating proposals for delivery of business support services and strategies to be used to generate proposals. Identify required monitoring systems to evaluate the impact of business support services grants.
- 6) Assess the need for and, if necessary, design a training-of- trainers program (to be offered on a cost recovery basis) to support training and business support service initiatives.
- 7) Identify technical assistance and other inputs required to implement and analyze the third round of the National Survey of Micro and Small Business and other policy research. The design team should finalize the research agenda in consultation with USAID and GOJ. The design

team should consider the need to supplement local research capacity with international expertise.

- 8) Identify technical assistance and other inputs required to implement the AIMS methodology for monitoring project impact.
- 9) Identify the elements of a public awareness campaign to increase awareness of best practices among microentrepreneurs and the benefits to be derived from implementing these best practices and to increase awareness of and facilitate access to project funded training and business support services. The design team should identify technical assistance required to develop the campaign; and inputs required to implement the campaign.
- 10) Consider APPLE Funding for Workers Bank
- 11) Ensure design incorporates gender issues

#### **D. Composition of Design Team**

The contractor will field five consultants for this assignment. Qualifications and level of effort for team members are as follows:

**Team Leader:** (40 days) At least five years of development experience. Familiarity with USAID design work is essential. Demonstrated ability to lead technical teams and to produce a coordinated product is required. Familiarity with Caribbean business culture and microenterprise sector. The Team Leader will be responsible for ensuring that gender issues are incorporated in all aspects of the project design.

**Credit Expert:** (30 days) Five years working with micro credit program in international settings. Experience with credit methodologies consistent with MDP approach and with strengthening credit institutions.

**Business Support Services:** (30 days) Five years experience in designing and delivering business support services for microentrepreneurs in international settings. Familiarity with innovative programs; including marketing, legal, management and other services. Familiarity with Caribbean business culture and microenterprise sector.

Information/Research Specialist: (15 days) Familiarity with implementation of survey research and development of terms of reference for survey implementation, survey analysis and contract research.

Training Specialist (20 days): Familiarity with development of curriculum and case materials for microentrepreneurs and with alternative delivery mechanisms; e.g. distance education, videos, computer modules and other innovative methods.

#### **E. Deliverables**

- 1) The contractor will deliver a complete draft Project Paper Amendment to the Mission by -----.
- 2) An oral debriefing to USAID/Jamaica and other Stakeholders to be determined by the mission will be held -----. Comments from the debriefing will be included in the final Project Paper Amendment.
- 3) Five copies of the final Project Paper Amendment will be submitted to USAID/Jamaica by -----.

#### **F. Schedule**

Project design will take place over a six week period.

<u>Week</u>	<u>Activity</u>
Week 1	Work plan
Week 2 - 4	Meetings and draft preparation
Week 5	Submit draft Project Paper Amendment Oral Debriefing with Mission
Week 6	Team Leader revises Project Paper to incorporate comments Submit Final Project Paper Amendment

#### **G. Logistics**

Office space, meeting space, local transportation, document production, equipment and other support services will be provided by the contractor and included in the approved budget.

#### H. Reporting Relationships

The design team will work in collaboration with the MDP Project Management Unit in the Office of Economic Growth and have reporting responsibility to the Acting MDP Project Manager and the Acting Director of the Office of Economic Growth.

#### I. Illustrative Budget (LINE ITEMS)

- 1) PROFESSIONAL FEES
- 2) PER DIEM
- 3) INTERNATIONAL TRAVEL
- 4) IN-COUNTRY TRAVEL
- 5) SECRETARIAL SUPPORT
- 6) EQUIPMENT RENTAL
- 7) RENTAL OF MEETING ROOMS
- 8) REPORT REPRODUCTION
- 9) OVERHEADS @ 50% OF SALARIES
- 10) DBA @ 5.89% OF SALARIES
- 11) PROFIT @ 10% OF COST